

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES OR TO ANY U.S. PERSON.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the "**Prospectus**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in this Prospectus, including any modifications to them from time to time, each time you receive any information from the Issuer or the Joint Lead Managers (each as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is confidential and intended only for you and you agree you will not forward, reproduce or publish this electronic transmission or the Prospectus to any other person.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION OR AN OFFER TO BUY IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THIS PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. THE SECURITIES DESCRIBED IN THIS PROSPECTUS MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAW.**

**THE FOLLOWING ELECTRONIC TRANSMISSION MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS DOCUMENT CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the securities described in the Prospectus is being addressed to, or directed at (a) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (b) persons falling within any of the categories of persons described in Article 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (c) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order (all such persons referred to as "**relevant persons**"). Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to any securities.

**Confirmation of your representation:** By accessing, reading or making any other use of the Prospectus you confirm to Abu Dhabi Commercial Bank PJSC (the "**Issuer**", the "**Bank**" or "**ADCB**"), to Abu Dhabi Commercial Bank PJSC, Barclays Bank PLC, Deutsche Bank AG, London Branch, Emirates NBD Bank P.J.S.C., First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc, Mashreqbank psc and Mizuho International plc (the "**Joint Lead Managers**") that: (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the securities described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including any state of the United States and the District of Columbia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive this Prospectus; (v) you consent to delivery of such Prospectus and any amendments or supplements thereto by electronic transmission; (vi) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers; (vii) if you are a person in Hong Kong, you are a "professional investor" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; and (viii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation, *Shari'a* or other economic considerations with respect to your decision to subscribe or purchase any of the securities.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are

located and you may not, nor are you authorised to, deliver or disclose, electronically or otherwise, the contents of the Prospectus to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers to sell or solicitations to buy are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such licensed Joint Lead Manager or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

Recipients of the Prospectus who intend to subscribe for or purchase the securities described herein are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus and/or supplement(s) to the Prospectus (if any).

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities described herein in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where Section 21(1) of the FSMA does not apply.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Lead Managers or the Agents, nor any person who controls them, or any director, officer, employee or agent of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer and the Joint Lead Managers. Please ensure that your copy is complete. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Each of the Joint Lead Managers is acting exclusively for the Issuer and no one else in connection with any offer of the securities described in the Prospectus. They will not regard any other person (whether or not a recipient of the Prospectus) as their client in relation to any offer of the securities described in the Prospectus and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for giving advice in relation to any offer of the securities described in the Prospectus or any transaction or arrangement referred to herein.

Neither the Joint Lead Managers nor any of their respective directors, officers, employees, agents or affiliates accepts any responsibility whatsoever for the contents of the Prospectus or for any statement made or purported to be made by them, or on their behalf, in connection with the Issuer or the offer of the securities described in the Prospectus. The Joint Lead Managers and their directors, officers, employees, agents and affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or any of their respective directors, officers, employees, agents or affiliates as to the accuracy, completeness or sufficiency of the information set out in the Prospectus and none of the Joint Lead Managers nor any of their respective directors, officers, employees, agents or affiliates accepts any responsibility for any acts or omissions of the Issuer or any other person in connection with the Prospectus or the issue and offering of the securities described in the Prospectus.



## ABU DHABI COMMERCIAL BANK PJSC

(incorporated with limited liability in Abu Dhabi, the United Arab Emirates)

### U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities

The U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") shall be issued by Abu Dhabi Commercial Bank PJSC ("**ADCB**", the "**Bank**" or the "**Issuer**") on 27 November 2023 (the "**Issue Date**"). Interest Payment Amounts (as defined in the Conditions) shall be payable subject to and in accordance with terms and conditions set out in the "*Terms and Conditions of the Capital Securities*" (the "**Conditions**") on the Prevaling Principal Amount (as defined in the Conditions) of the Capital Securities from (and including) the Issue Date to (but excluding) 27 May 2029 (the "**First Reset Date**") at a rate of 8.00 per cent. per annum. If the Capital Securities are not redeemed in accordance with the Conditions on or prior to the First Reset Date, Interest Payment Amounts shall continue to be payable from (and including) the First Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant Five-Year Reset Rate (as defined in the Conditions) plus a margin of 3.524 per cent. per annum. Interest Payment Amounts will (subject to the occurrence of a Non-Payment Event (as defined in, and as more particularly provided in, Condition 6.1 (*Interest Cancellation – Non-Payment Event*))) be payable semi-annually in arrear on 27 May and 27 November in each year, commencing on 27 May 2024 (each, an "**Interest Payment Date**"). Payments on the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction (as defined in the Conditions) (the "**Taxes**") to the extent described under Condition 12 (*Taxation*). All payments by the Issuer in respect of the Capital Securities shall be conditional upon satisfaction of the Solvency Conditions (as defined in the Conditions) and no bankruptcy order in respect of the Issuer having been issued by a court in the United Arab Emirates, as more particularly described in Condition 4 (*Status and Subordination*) (see, in particular, "*Risk Factors – Risks which are material for the purpose of assessing the risks associated with the terms of the Capital Securities – The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer*").

If a Non-Viability Event (as defined in the Conditions) occurs, a Write-down (as defined in the Conditions) shall occur on the relevant Non-Viability Event Write-down Date (as defined in the Conditions), as more particularly described in Condition 10 (*Write-down at the Point of Non-Viability*). In such circumstances, the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down by the relevant Write-down Amount (as defined in the Conditions) and, in the case of the Write-down Amount corresponding to the full Prevaling Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled (see "*Risk Factors – Risks which are material for the purpose of assessing the risks associated with the terms of the Capital Securities – The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event*").

The Issuer may elect, in its sole discretion, and in certain circumstances shall be required, not to pay interest falling due on the Capital Securities. Any Interest Payment Amounts not paid as aforesaid will not accumulate and the holder of a Capital Security shall not have any claim in respect thereof.

The Capital Securities are undated and have no final maturity date. Unless the Capital Securities have previously been redeemed or purchased and cancelled as provided in the Conditions, the Capital Securities may, at the option of the Issuer, subject to the prior approval of the Regulator (as defined in the Conditions), be redeemed (in whole but not in part) at the Early Redemption Amount (as defined in the Conditions) on 27 November 2028 (the "**First Call Date**") and on any date thereafter up to and including the First Reset Date or on any Interest Payment Date following the First Reset Date. In addition, the Capital Securities may, upon the occurrence of a Tax Event or Capital Event (each as defined in the Conditions), be redeemed (in whole but not in part) at the Tax Redemption Amount or the Capital Event Redemption Amount (each as defined in the Conditions), respectively, subject to the prior approval of the Regulator and subject to the Conditions.

The payment obligations of the Issuer under the Capital Securities: (i) constitute direct, unsecured, conditional (as described in Condition 4.2(b) (*Status and Subordination – Subordination of the Capital Securities*)) and Condition 4.3 (*Status and Subordination – Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (ii) rank subordinate and junior to all Senior Obligations (as defined in the Conditions) (but not further or otherwise); (iii) rank *pari passu* with all *Pari Passu* Obligations (as defined in the Conditions); and (iv) rank in priority only to all Junior Obligations (as defined in the Conditions). **Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.**

Upon the occurrence of an Enforcement Event (as defined in the Conditions), any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent (as defined in the Conditions), effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write-down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount (as defined in the Conditions), without presentation, demand, protest or other notice of any kind.

**An investment in the Capital Securities involves certain risks. For a discussion of these risks, see "Risk Factors".**

The Capital Securities may only be offered, sold or transferred in registered form in minimum principal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Delivery of the Capital Securities in book-entry form will be made on the Issue Date. The Capital Securities will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Individual Certificates (as defined in the Conditions) evidencing holdings of interests in the Capital Securities will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of any Capital Securities that are the subject of this Prospectus. Investors should make their own assessment as to the

suitability of investing in such Capital Securities. There can be no assurance that any such admission to trading will be obtained. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (the "**Euronext Dublin**") for the Securities to be admitted to the official list of Euronext Dublin (the "**Official List**") and trading on its regulated market. The regulated market of the Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**EU MiFID II**"). If you do not understand the contents of this Prospectus or are unsure whether the Capital Securities to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

This Prospectus is valid until the Capital Securities are admitted to trading on the Regulated Market of Euronext Dublin and to listing on the Official List of Euronext Dublin. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For the purposes of this Prospectus, "**valid**" means valid for admissions to trading on a regulated market by or with the consent of the Issuer and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Capital Securities or the time when trading on a regulated market begins, whichever occurs later.

Amounts payable under the Capital Securities, following the First Reset Date, will be calculated by reference to rates for U.S. Treasury securities which are published by the U.S. Federal Reserve System. As of the date of this Prospectus, the U.S. Department of Treasury does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the U.S. Department of Treasury does not fall within the scope of the Benchmarks Regulation by virtue of article 2 of the Benchmarks Regulation.

The Issuer has been assigned long term ratings of A with a "stable outlook" by S&P Global Ratings Europe Limited ("**Standard & Poor's**") and A+ with a "stable outlook" by Fitch Ratings Limited ("**Fitch**"). The Emirate of Abu Dhabi has been assigned a rating of AA by Fitch, Aa2 by Moody's Investors Service Ltd ("**Moody's**") and AA by Standard & Poor's, each with a stable outlook. The United Arab Emirates (the "**UAE**") has been assigned a credit rating of AA- with a stable outlook by Fitch and a credit rating of Aa2 with a stable outlook by Moody's Investors Service Singapore Pte. Ltd. Moody's Investors Service Singapore Pte. Ltd. is not established in the EEA or in the United Kingdom (the "**UK**") but the rating it has assigned is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (the "**EU CRA Regulation**"). Standard & Poor's is established in the EEA and registered under the EU CRA Regulation. The ratings Standard & Poor's has assigned are endorsed by S&P Global Ratings UK Limited, which is established in the UK and registered under Regulation (EC) No. 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**") and have not been withdrawn. Each of Moody's and Fitch is established in the UK and registered under the UK CRA Regulation. Each of Moody's and Fitch appear on the latest update of the list of registered credit rating agencies on the UK Financial Conduct Authority's (the "**FCA**") Financial Services Register. The rating Moody's has assigned is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under the EU CRA Regulation. The rating Fitch has assigned is endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under the EU CRA Regulation. As such, each of Moody's Deutschland GmbH, Standard & Poor's and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation.

**A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.**

The Capital Securities have not been, nor will be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Capital Securities is hereby notified that the offer and sale of Capital Securities to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

**Abu Dhabi Commercial Bank**

*Joint Lead Managers*

**Abu Dhabi Commercial Bank**

**Barclays**

**Deutsche Bank**

**First Abu Dhabi Bank**

**Emirates NBD Capital**

**J.P Morgan**

**Mashreqbank psc**

**Mizuho**

The date of this Prospectus is 23 November 2023.

## IMPORTANT NOTICE

This Prospectus comprises a prospectus for the purposes of Article 6(3) of the EU Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information contained in "*Risk Factors*", "*Description of the Group – Competition*" and "*The United Arab Emirates Banking Sector and Regulations*" (as indicated therein) has been extracted from independent, third party sources. The Issuer confirms that all third party information contained in this Prospectus has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information contained in this Prospectus is stated where such information appears in this Prospectus.

The accuracy or completeness of the information contained or incorporated by reference in this Prospectus has not been independently verified by the Joint Lead Managers or any of their respective directors, officers, affiliates, advisers or agents. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or any of their respective directors, officers, affiliates, advisers or agents: (i) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution; or (ii) for any acts or omissions of the Issuer or any other person in connection with this Prospectus or the issue and offering of the Capital Securities. To the fullest extent permitted by law, the Joint Lead Managers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Capital Securities or their distribution.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issuance of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers. The Joint Lead Managers accordingly disclaim all and any liability, whether arising in contract, tort or otherwise, which it might otherwise have in respect of any such information.

Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issuance of the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issuance of the Capital Securities constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issuance of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the issuance or to advise any investor in the Capital Securities of any information coming to their attention.

Investors should review, *inter alia*, the information contained or incorporated by reference in this Prospectus when deciding whether or not to purchase any Capital Securities.

The Capital Securities have not been, nor will be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and

applicable state securities laws. Accordingly, the Capital Securities may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Capital Securities may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of any Capital Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of any Capital Securities. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of any Capital Securities in the United States, the European Economic Area (the "EEA"), the UK, Japan, the UAE (excluding the Dubai International Financial Centre ("DIFC") and the Abu Dhabi Global Market ("ADGM")), the ADGM, the DIFC, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong, Malaysia, the State of Kuwait, the People's Republic of China (the "PRC") (which, for the purposes of this Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) and Switzerland. See "*Subscription and Sale*".

**The Capital Securities may not be a suitable investment for all investors. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances, and is advised to consult its own tax advisers, legal advisers and business advisers as to tax, legal, business and related matters (as applicable) concerning the purchase of any Capital Securities.**

In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for payments of principal or interest is different from the potential investor's currency;
- understands thoroughly the terms of the Capital Securities and is familiar with the behaviour of any relevant indices and financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Capital Securities are complex financial instruments and high risk, and may not be a suitable or appropriate investment for all investors (see "*EU MiFID II Product Governance/ Target Market*", "*UK MiFIR Product Governance/Target Market*", "*Prohibition of Sales to EEA Retail Investors*" and "*Prohibition of Sales to UK Retail Investors*"). In some jurisdictions, regulatory authorities have adopted or published laws, regulations and/or guidance with respect to the offer or sale of securities similar to the Capital Securities. There are risks inherent in the holding of the Capital Securities, including risks relating to their subordination and the circumstances in which holders of the Capital Securities may suffer a loss as a result of the holding of the Capital Securities. For a discussion on certain considerations to be taken into

account in respect of the holding of Capital Securities, see "*Risk Factors*". Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Capital Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Capital Securities will perform under changing conditions, the resulting effects on the value of the Capital Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Capital Securities are legal investments for it; (2) the Capital Securities can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk-based capital or similar rules.

### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is a corporation organised under the laws of the UAE. All or a substantial portion of the assets of the Issuer are located in the UAE. As a result, it may not be possible for investors to effect service of process outside the UAE upon the Issuer.

The Capital Securities are governed by English law and disputes in respect of them may be settled by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**") in London, England. In addition, actions in respect of the Capital Securities may be brought in the English courts.

In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Abu Dhabi courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Capital Securities. Investors may have difficulties in enforcing any English judgments or arbitration awards against the Issuer in the courts of Abu Dhabi, see "*Risk Factors – Risks relating to enforcement – Investors may experience difficulties in enforcing arbitration awards and foreign judgments in the UAE*".

### **EU MiFID II PRODUCT GOVERNANCE/ TARGET MARKET**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

### **UK MiFIR PRODUCT GOVERNANCE/TARGET MARKET**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties, as defined in the UK Financial Conduct Authority ("**FCA**") Handbook Conduct of Business Sourcebook, and professional clients, as defined in the Article 2(1)(13A) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK MiFIR**"); and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

## **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

## **PROHIBITION OF SALES TO UK RETAIL INVESTORS**

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the Financial Services and Markets Act 2000, amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by the EU PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

## **SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION**

Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as amended or modified from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all "relevant persons" (as defined in Section 309(A) of the SFA), that the Capital Securities are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2001 (2020 Revised Edition)).

## **STABILISATION**

In connection with the issue of the Capital Securities, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Capital Securities and 60 days after the date of the allotment of the Capital Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

## **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Capital Securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Capital Securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with



any offer, sale or invitation to subscribe or purchase Capital Securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the Capital Securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus. No offer of the Capital Securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

The Capital Securities will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Capital Securities are not and will not be traded on the Qatar Stock Exchange. The Capital Securities and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the state of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar (including the Qatar Financial Centre).

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**") (the "**KSA Regulations**").

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Capital Securities should conduct their own due diligence on the accuracy of the information relating to the Capital Securities. If a prospective purchaser does not understand the contents of this Prospectus, he or she should consult an authorised financial adviser.

#### **NOTICE TO RESIDENTS OF MALAYSIA**

The Capital Securities may not be offered for subscription or purchase and no invitation to subscribe for or purchase Capital Securities in Malaysia may be made, directly or indirectly, and this Prospectus and any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories of persons specified under in Part I of Schedule 6 or Section 229(1)(b), and Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

#### **NOTICE TO RESIDENTS OF THE STATE OF KUWAIT**

Unless all necessary approvals from the Kuwait Capital Markets Authority (the "**KCMA**") pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) (the "**CML Rules**"), together with the various resolutions, regulations, directives, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and sale of the Capital Securities, the Capital Securities may not be offered for sale, nor sold, in Kuwait. This Prospectus is not for general circulation to the public in Kuwait nor will the Capital Securities be sold by way of a public offering in Kuwait. In the

event where the Capital Securities are intended to be purchased onshore in Kuwait, the same may only be so purchased through a licensed person duly authorised to undertake such activity pursuant to the CML Rules.

Investors from Kuwait acknowledge that the KCMA and all other regulatory bodies in Kuwait assume no responsibility whatsoever for the contents of this Prospectus and do not approve the contents thereof or verify the validity and accuracy of its contents. The KCMA, and all other regulatory bodies in Kuwait, assume no responsibility whatsoever for any damages that may result from relying (in whole or in part) on the contents of this Prospectus. Prior to purchasing any Capital Securities, it is recommended that a prospective holder of any Capital Securities seeks professional advice from its advisors in respect of the contents of this Prospectus so as to determine the suitability of purchasing the Capital Securities.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of the Issuer's Financial Information

This Prospectus contains:

- the unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2023 (with comparative data as at 31 December 2022 and for the nine months ended 30 September 2022 (as applicable)) (the "**Interim Financial Statements**");
- the audited consolidated financial statements as at and for the year ended 31 December 2022 (with comparative data as at and for the year ended 31 December 2021) (the "**2022 Financial Statements**"); and
- the audited consolidated financial statements as at and for the year ended 31 December 2021 (with comparative data as at and for the year ended 31 December 2020) (the "**2021 Financial Statements**").

In this Prospectus, the 2022 Financial Statements and the 2021 Financial Statements are together referred to as the "**Annual Financial Statements**". The Annual Financial Statements and the Interim Financial Statements are together referred to as the "**Financial Statements**".

The Issuer prepared the Interim Financial Statements in accordance with International Accounting Standard ("**IAS**") 34 "*Interim Financial Reporting*". The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the 2022 Financial Statements. The Interim Financial Statements have been reviewed by KPMG Lower Gulf Limited ("**KPMG**") in accordance with the International Standard on Review Engagements (ISRE) 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", as stated in their review report relating to the Interim Financial Statements which is incorporated by reference into this Prospectus. With respect to the Interim Financial Statements, KPMG has reported that they have applied limited procedures in accordance with ISRE 2410. However, their review report dated 25 October 2023 which is incorporated by reference into this Prospectus, states that they did not audit and they do not express any audit opinion on the Interim Financial Statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The Issuer prepared the Annual Financial Statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The 2022 Financial Statements have been audited by KPMG and the 2021 Financial Statements have been audited by Ernst & Young Middle East (Abu Dhabi Branch) ("**EY**"). The financial information and related computations included in this Prospectus corresponding to the year ended 31 December 2021 have been extracted or derived from the 2022 Financial Statements (where such 2021 financial information is presented for comparative purposes) and the internal accounting records of the Group.

The Group's financial year ends on 31 December and references in this Prospectus to 2022 and 2021 are to the 12-month period ending on 31 December in such year.

The Financial Statements incorporated by reference in this Prospectus should be read in conjunction with the respective notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. generally accepted accounting principles ("**U.S. GAAP**") or any other systems of generally accepted accounting principles in the jurisdictions of

such prospective investors and how those differences might affect the financial information included or incorporated by reference in this Prospectus; and (ii) the impact that future additions to, or amendments of, IFRS may have on the Group's results of operations or financial condition, as well as on the comparability of the prior periods.

In addition, this Prospectus includes certain non-IFRS financial measures and ratios (see "*Non-IFRS financial measures*" below).

All financial information regarding the Group in this Prospectus as at, or that relates to the nine-month periods ended 30 September 2023 and 30 September 2022 is unaudited and has been extracted or derived from the Interim Financial Statements or from the Group's unaudited consolidated management accounts based on accounting records, as applicable, or is based on calculations of figures from these sources.

Certain numerical figures set out in this Prospectus, including financial and operating data have been rounded and some of these and other figures are also presented in AED millions or billions rather than in AED thousands (as presented in the Financial Statements). Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Prospectus may slightly differ from the totals specified for such columns or rows. Similarly, some percentage values presented in the tables in this Prospectus have been rounded and the totals specified in such tables may not add up to 100 per cent.

The financial information included in this Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations which would apply if the Capital Securities were being registered with the U.S. Securities and Exchange Commission (the "SEC").

#### ***Non-IFRS financial measures***

This Prospectus contains references to certain non-IFRS financial measures, including capital adequacy and certain other ratios (see "*Alternative Performance Measures*" and "*Selected Consolidated Financial Data – Selected Ratios*") below.

The non-IFRS financial measures contained in this Prospectus should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. These non-IFRS financial measures should not be considered as an alternative to revenues, profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of liquidity derived in accordance with IFRS. Non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of actual results of operations. In addition, the non-IFRS financial measures included in this Prospectus may not be comparable to other similarly titled financial measures used by other companies. The Group believes that net interest margin and other non-IFRS financial measures presented in this Prospectus are useful indicators of financial performance that are widely used by investors to monitor the results of banks generally. Because of the discretion that the Group and other companies have in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other companies.

The non-IFRS financial measures contained in this Prospectus have not been prepared in accordance with IFRS, U.S. GAAP, SEC requirements or the accounting standards of any other jurisdiction and may not be comparable to similar measures of other companies.

#### **Certain Defined Terms**

In this Prospectus, unless otherwise defined, the following words have the following meanings:

- "**Abu Dhabi**" means the Emirate of Abu Dhabi;
- "**Central Bank**" means the Central Bank of the UAE;
- "**Emirate**" means one or more of the seven emirates of the UAE;
- "**Government**" means the Government of Abu Dhabi;
- "**Group**" means the Issuer and its subsidiaries taken as a whole; and

- "**Member State**" means a Member State of the EEA.

### **Certain Conventions**

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references in this Prospectus to "**U.S. dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars being the legal currency for the time being of the United States of America; all references to "**dirham**" and "**AED**" refer to UAE dirham being the legal currency for the time being of the UAE.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The current midpoint between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of law is a reference to that law or provision as extended, amended or re-enacted.

### **FORWARD-LOOKING STATEMENTS**

Some statements in this Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Group*" and other sections of this Prospectus. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Group believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those which the Group has identified in this Prospectus, or if any of the Group's underlying assumptions prove to be incomplete or inaccurate, the Group's actual results of operation may vary from those expected, estimated or predicted.

These forward-looking statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligations or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

### **PRESENTATION OF STATISTICAL INFORMATION AND OTHER DATA**

Certain statistical information in this Prospectus has been derived from a number of publicly available sources. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third-party information contained in this Prospectus is stated where such information appears in this Prospectus.

Certain information under the headings "*Risk Factors*", "*Description of the Group*" and "*The United Arab Emirates Banking Sector and Regulations*" been extracted from information provided by:

- the International Monetary Fund (the "**IMF**"), the Organisation of the Petroleum Exporting Countries ("**OPEC**"), the Central Bank and the Abu Dhabi Statistics Centre (the "**Statistics Centre**"), in the case of "*Risk Factors*";
- the UAE, Abu Dhabi and Dubai governments and the Central Bank, in the case of "*Description of the Group*"; and
- the Central Bank and the United Nations Department of Economic and Social Affairs, Statistics Division in the case of "*The United Arab Emirates Banking Sector and Regulations*".

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## OVERVIEW OF THE ISSUANCE

*The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Capital Securities should be based on a consideration of this Prospectus as a whole.*

Words and expressions defined in "*Terms and Conditions of the Capital Securities*" shall have the same meanings in the following description.

<b>Issuer:</b>	Abu Dhabi Commercial Bank PJSC.
<b>Description:</b>	U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities.
<b>Joint Lead Managers:</b>	Abu Dhabi Commercial Bank PJSC, Barclays Bank PLC, Deutsche Bank AG, London Branch, Emirates NBD Bank P.J.S.C., First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc, Mashreqbank psc and Mizuho International plc
<b>Fiscal Agent, Calculation Agent and Transfer Agent:</b>	Deutsche Bank AG, London Branch.
<b>Registrar:</b>	Deutsche Bank Luxembourg S.A.
<b>Issue Date:</b>	27 November 2023.
<b>Issue Price:</b>	100 per cent.
<b>Interest Payment Dates:</b>	27 May and 27 November in every year, commencing on 27 May 2024.
<b>Interest Payment Amounts:</b>	<p>Subject to Condition 6 (<i>Interest Cancellation</i>), the Capital Securities shall, during the Initial Period, bear interest at a rate of 8.00 per cent. per annum (the "<b>Initial Interest Rate</b>") on the Prevailing Principal Amount of the Capital Securities. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$40.00 per U.S.\$1,000 in principal amount of the Capital Securities. For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of a margin of 3.524 per cent. per annum (the "<b>Margin</b>") and the Relevant Five-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent (see Condition 5 (<i>Interest</i>)).</p> <p>If a Non-Payment Event occurs, the Issuer shall not pay the corresponding Interest Payment Amount and the Issuer shall not have any obligation to make any subsequent payment in respect of any unpaid Interest Payment Amount as more particularly described in Condition 6 (<i>Interest Cancellation</i>). In such circumstances, interest will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.</p>
<b>Form of Capital Securities:</b>	The Capital Securities will be issued in registered form. The Capital Securities will be represented on issue by

ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Individual Certificates evidencing a holding of Capital Securities will be issued in exchange for interests in the Global Certificate only in limited circumstances.

**Clearance and Settlement:**

Holders of the Capital Securities must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.

**Denomination:**

The Capital Securities will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

**Status of the Capital Securities:**

Each Capital Security will rank *pari passu* without preference or priority, with all other Capital Securities.

**Subordination of the Capital Securities:**

The payment obligations of the Issuer under the Capital Securities (the "**Obligations**") will: (i) constitute Additional Tier 1 Capital of the Issuer; (ii) constitute direct, unsecured, conditional (as described below) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (iii) rank subordinate and junior to all Senior Obligations; (iv) rank *pari passu* with all *Pari Passu* Obligations; and (v) rank in priority only to all Junior Obligations.

Notwithstanding any other provision in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

**Solvency Conditions:**

Payments in respect of the Obligations by the Issuer are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (i) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (ii) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and

all *Pari Passu* Obligations and still be Solvent immediately thereafter; and

- (iii) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

**Redemption and Variation:**

The Capital Securities are perpetual securities in respect of which there is no fixed or final redemption date. The Capital Securities may be redeemed in whole but not in part, or the terms thereof may be varied by the Issuer only in accordance with the provisions of Condition 9 (*Redemption and Variation*).

Pursuant to Condition 9.1(b) (*Redemption and Variation – Issuer's Call Option*), the Issuer may, on any Call Date, redeem all, but not some only, of the Capital Securities at the Early Redemption Amount.

In addition (on any date on or after the Issue Date, whether or not an Interest Payment Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Capital Securities may be redeemed or the terms of the Capital Securities may be varied, in each case in accordance with Conditions 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

Any redemption of the Capital Securities is subject to the conditions described in Condition 9.1 (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*).

**Write-down at the point of Non-Viability:**

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Write-down at the Point of Non-Viability – Non-Viability Notice*).

"**Write-down**" means:

- (i) the holders' rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (ii) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and
- (iii) all rights of any holder for payment or any amounts under or in respect of the Capital Securities, in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts),



shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date.

- Purchase:** Subject to the Issuer (to the extent then required by the Regulator or the Capital Regulations): (i) having obtained the prior written consent of the Regulator; (ii) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (iii) being Solvent at the time of purchase, the Issuer or any of its subsidiaries may purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any such purchase, the Issuer may (but shall not be obliged to) deliver such Capital Securities for cancellation.
- Enforcement Events:** Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write-down at the point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*), become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.
- Withholding Tax:** All payments in respect of the Capital Securities will be made free and clear of, without withholding or deduction for, or on account of, withholding taxes imposed by the relevant Tax Jurisdiction, subject as provided in Condition 12 (*Taxation*). In the event that any such deduction is made, the Issuer will, in respect of interest (but not in respect of principal), save in certain limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
- Ratings:** The Issuer has been assigned long-term credit ratings of A with a "stable outlook" and A+ with a "stable outlook" by S&P and Fitch, respectively.
- A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
- Listing and Admission to Trading:** Application has been made for the Capital Securities to be admitted to listed on the Official List and admitted to trading on the regulated market of Euronext Dublin.
- Governing Law and Dispute Resolution:** The Capital Securities and any non-contractual obligations arising out of or in connection with the

Capital Securities will be governed by, and shall be construed in accordance with, English law.

The Agency Agreement, the Deed of Covenant and any non-contractual obligations arising out of, relating to or having any connection with the Agency Agreement and the Deed of Covenant will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Capital Securities, the Agency Agreement or the Deed of Covenant, the Issuer has consented to arbitration in accordance with the LCIA Arbitration Rules unless any holder of the Capital Securities (in the case of the Capital Securities or the Deed of Covenant) or Agent (in the case of the Agency Agreement) elects to have the dispute, claim, difference or controversy resolved by a court, in which case the English courts will have exclusive jurisdiction to settle such dispute (or such other court of competent jurisdiction as such party may elect).

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Capital Securities in the United States, the EEA, the UK, Japan, the UAE (excluding the DIFC and ADGM), the ADGM, the DIFC, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong, Switzerland, Malaysia, the State of Kuwait, the People's Republic of China (the "**PRC**") (which, for the purposes of this Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) and such other restrictions as may be required in connection with the offering and sale of the Capital Securities (see "*Subscription and Sale*").

## **RISK FACTORS**

*Any investment in the Capital Securities is subject to a number of risks and uncertainties. Prospective investors should consider carefully the risks and uncertainties associated with the Issuer's business and any investment in the Capital Securities, together with all of the information that is included in this Prospectus, and should form their own view before making an investment decision with respect to the Capital Securities. In particular, prospective investors should evaluate the risks and uncertainties referred to or described below, which may have a material adverse effect on the Issuer's business, results of operations and financial condition. Should one or more of the following events or circumstances occur at the same time or separately, the value of the Capital Securities could decline and an investor might lose part or all of its investment.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Capital Securities, but the Issuer's inability to pay interest, principal or other amounts on or in connection with the Capital Securities may occur for other reasons. Additional risks not presently known to the Issuer or that the Issuer currently deems immaterial may also impair the Issuer's ability to pay interest, principal or other amounts on or in connection with the Capital Securities.*

### **Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued**

#### ***Risks relating to the Group's business***

#### ***Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition***

The Group is susceptible to changes in the macro-economic environment and the performance of financial markets generally. As at the date of this Prospectus, the performance of global debt and equity markets has been volatile, reflecting the ongoing volatility in the macro-economic climate which has had, and which continues to have, a material adverse effect on the economies of Egypt and of the Gulf Co-operation Council ("GCC") states, including the UAE. In particular, the spread of the novel coronavirus disease ("COVID-19") has caused, and continues to cause, significant uncertainty and volatility in financial markets globally and regionally (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – The Group's business, results of operations and financial condition may be adversely affected by the impact of COVID-19*" below).

The global economy has been materially affected by volatile oil prices. Between July 2014 and January 2016, international crude oil prices declined dramatically (falling by approximately 75 per cent. from a monthly average OPEC Reference Basket price per barrel of U.S.\$105.61 in July 2014, to a monthly average price of U.S.\$26.50 in January 2016). Although there was a partial correction in global crude oil prices between 2017 and 2019, 2020 saw significant volatility, with the monthly average price of the OPEC Reference Basket falling from U.S.\$65.10 per barrel in January 2020 to U.S.\$17.66 per barrel in April 2020, before recovering to an average price of U.S.\$41.47 per barrel for the year ended 31 December 2020. The volatility in the price of oil and a reduction in its demand has also been exacerbated by the impact of COVID-19 and disagreements between members of OPEC and Russia. The Russia-Ukraine conflict that erupted in February 2022 led to comprehensive sanctions imposed on Russian companies and institutions in the energy and banking industry. A ban on imports of Russian oil and gas by, among others, the United States and the European Union (the "EU") caused oil prices to surge above U.S.\$100.00 for the first time since 2013 to a monthly average price of U.S.\$ 117.72 per barrel in June 2022 (see "*The Group may experience material losses due to customer and counterparty defaults arising from adverse changes in credit and recoverability that are inherent in the Group's business*" below for further information regarding the Russia-Ukraine crisis). Oil prices have since declined to a monthly average of U.S.\$74.80 per barrel in August 2023, however, increased oil prices, particularly when coupled with rising inflation (as discussed further below), may have a negative impact on the Issuer's corporate and retail customers. This, in turn, may have an adverse effect on the Issuer's business, financial condition, results of operations and prospects. See "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the UAE and MENA – The UAE's economy is highly dependent upon its oil revenue*" below for more information regarding the impact that the price of oil has on the UAE economy.

The volatile oil price environment referred to above, has stimulated a federal government-led policy of rationalisation of fiscal spending which, in turn, has led to an ongoing transformation of the UAE economy. The UAE federal government has scaled back capital transfers to government-related entities, reduced government investment, raised electricity and water tariffs and removed fuel subsidies. Further, with effect from 1 January 2018, the federal government introduced a value-added tax ("VAT") regime in the UAE at a rate of 5 per cent. as part of a broader GCC-wide agreement. Saudi Arabia, which implemented VAT on 1 January 2018 at the rate of 5 per cent., increased the rate to 15 per cent. effective from 1 July 2020. Bahrain joined the GCC VAT regime on 1 January 2019 and increased the rate to 10 per cent. effective from 1 January 2022. Oman implemented VAT on 16 April 2021. Qatar is expected to introduce VAT at a rate of 5 per cent in 2023. In addition, on 9 December 2022, the UAE Ministry of Finance issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "**Corporate Tax Law**") to enact a Federal corporate tax regime in the UAE, that is effective for taxable persons for financial years beginning on or after 1 June 2023 and will apply to the Issuer from 1 January 2024 (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the UAE and MENA – Tax changes in the UAE may have an adverse effect on the Group*" below).

In the UAE, these measures have become an integral part of a broader federal government strategy aimed at rationalising fiscal expenditure generally and reducing fiscal dependency on hydrocarbon related revenues. When taken in totality with the ongoing oil price volatility, the diversion of significant fiscal revenues to the Saudi Arabian-led military intervention in the Republic of Yemen since 2015 and domestic job losses in both the private and public sectors across the UAE (and particularly within Abu Dhabi) along with the COVID-19 pandemic, this ongoing transformative process may have a material adverse effect on the Issuer's loan portfolio and its credit risk profile generally.

The measures taken by the federal government in the UAE to counter the impact of the oil price volatility since 2015 have created significant stress in UAE retail markets (which represents one of the Group's core businesses). The legacy consumer banking group segment, which includes retail customers, accounted for 20.8 per cent. of the Group's net profit for the year ended 31 December 2022. In the event that macro-economic conditions do not improve in the UAE and the challenges faced by the retail sector were to spread to the Group's corporate customers, the impact on the Issuer's business, results of operations and financial condition could be significant.

Moreover, in respect of the Group's Abu Dhabi-based Government-related customers, legislation including Abu Dhabi Executive Council Circular No. 11 of 2015 and Abu Dhabi Executive Council Circular No. 1 of 2017 (together, the "**Abu Dhabi Public Debt Laws**"), requires any company owned by the Government which has received a copy of such circulars, to obtain the approval of the Abu Dhabi Executive Council for it or any of its subsidiaries to enter into any transaction for borrowing or issue of debt (with an additional requirement to co-ordinate with the Public Debt Office of Abu Dhabi if such borrowing is to be guaranteed by the Government). If the provisions of the Abu Dhabi Public Debt Laws were to be applied more strictly and require the Group's Abu Dhabi-based Government-related customers to obtain Abu Dhabi Executive Council approval each time they contract with the Group, it is possible that the Group may experience a decline in (and/or a delay in execution of) lending activity to customers within this sector.

Furthermore, many of the world's economies are experiencing high levels of inflation. In 2022, inflation averaged at 7.3 per cent. in advanced economies and 9.9 percent in emerging market and developing economies (source: International Monetary Fund World Economic Outlook 2023) and for 2023, inflation is projected at 4.6 per cent. in advanced economies and 8.1 percent in emerging market and developing economies (source: International Monetary Fund World Economic Outlook 2023). While the expectation is for inflation to decline generally, as with the growth outlook, considerable uncertainty surrounds inflation projections. Various factors have contributed to shaping inflation outlook, including the Russia-Ukraine conflict, which caused increases to energy prices (as discussed above) and to food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilizers). In addition, while demand grew rapidly in 2021, various bottlenecks held back supply, including outbreak-induced factory closures, restrictions at ports, congested shipping lanes, container shortfalls and worker shortages because of quarantines. Although supply bottlenecks are generally anticipated to ease as production responds to higher prices, the Russia-Ukraine conflict and widespread sanctions on Russian persons, entities and institutions are likely to prolong disruptions in some sectors into 2024. Prolonged inflation could affect the wider global economy (by, for example, causing prompt broad-based selling in long-duration, fixed-rate debt, which could have negative implications for equity and real estate markets) and the Group's customers and counterparties (leading to lower recoverability) which in turn could have a materially adverse effect on the Issuer.

As a result of market conditions prevailing as at the date of this Prospectus, companies to which the Group directly extends credit have experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to the Group. The Group's gross impairment charge for loans and advances to customers totalled AED 3.3 billion for the year ended 31 December 2022. If current market conditions continue to deteriorate, the Group may incur further impairment charges and experience increases in defaults by its debtors which would have a material adverse effect on the Group's business, results of operations and financial condition.

These extremely volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. The adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. On 6 July 2020, the Central Bank introduced the overnight deposit facility to enable conventional banks operating in the UAE to deposit their surplus liquidity at the Central Bank on an overnight basis. Accordingly, the general stance of the Central Bank's monetary policy would be signalled through the interest rate of the overnight deposit facility, which became the main policy rate of the Central Bank (the "UAE Base Rate"). The Central Bank expects overnight money market rates to hover around the UAE Base Rate under normal market conditions. The UAE Base Rate is anchored to the U.S. Federal Reserve's interest on excess reserves. Between 16 March 2022 and 27 July 2023, and in response to high levels of inflation, the United States Federal Reserve Board increased U.S. overnight interest rates by an aggregate of 525 basis points. Each increase to the U.S. overnight interest rates was followed by a corresponding increase to the UAE Base Rate by the Central Bank. In September 2023, the U.S. Federal Reserve left U.S. overnight interest rates unchanged however the U.S. Federal Reserve also indicated that it expects further increases in interest rates in 2023 and 2024. It is highly probable that the UAE Base Rate will continue to track U.S. interest rate raises with additional corresponding base rate increases.

The business, results of operations and financial condition of the Group may be materially adversely affected by a continuation of the unfavourable economic conditions in the other countries of the GCC and emerging markets generally as well as by United States, European and international trading market conditions and/or related factors.

***The Group may experience material losses due to customer and counterparty defaults arising from adverse changes in credit and recoverability that are inherent in the Group's business***

As a result of adverse economic and political developments in recent years, adverse changes in consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors, have historically impacted the Group's customers and counterparties and, in certain cases, adversely affected their ability to repay their loans or other obligations to the Group. This, in turn, along with increased market volatility and decreased pricing transparency has, historically, adversely affected the Group's credit risk profile.

As at the date of this Prospectus, the global macro-economic climate remains volatile (see "Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition" above). International prices for hydrocarbon related products and investor confidence in international debt and equity markets remain volatile. In particular, in February 2022 an armed conflict commenced between Russia and Ukraine, which is currently ongoing. The conflict is resulting in a flux of refugees to neighbouring countries, as well as causing significant damage to Ukraine's physical infrastructure. The United States, the United Kingdom, the EU, Japan, Canada and other countries have implemented extensive and unprecedented sanctions (including disconnection from the SWIFT system) against certain Russian entities, persons and sectors, including Russian financial, oil and defence companies as a result of the conflict. In addition, the EU has banned the import of Russian oil and transactions with the Central Bank of Russia. As a result of the Russia-Ukraine conflict, the economic sanctions imposed on Russia and any retaliatory measures that Russia could adopt in response to the sanctions, energy and commodity prices – including wheat and other grains – have surged, adding to inflationary pressures experienced globally due to supply chain disruptions caused by the COVID-19 pandemic, and there have been significant disruptions to regional economies and global financial markets. While not directly impacting the UAE's territory, the conflict between Russia and Ukraine could negatively affect the Issuer's corporate and individual customers. This, in turn, may have an adverse effect on the Issuer's business,

financial condition, results of operations and prospects. In addition, increases in interest rates, necessitated by the inflationary effects of the war in Ukraine (as well as interruptions to the global supply chain, caused by measures taken by various governments to control the spread of COVID-19) may put pressure on incomes and business costs, which could increase counterparty defaults and non-performing loans and could in turn potentially adversely affect the Group's profitability and prospects (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*" above).

As at 31 December 2022, the Group's loans and advances to customers (net of provisions) amounted to AED 258.5 billion, as compared to AED 244.3 billion as at 31 December 2021. The Group's gross impairment charge for loans and advances to customers totalled AED 3.3 billion for the year ended 31 December 2022.

As at 31 December 2022, the borrowers in respect of 82.8 per cent. of the Group's total gross loans and advances to customers were located in the UAE (31 December 2021: 90.3 per cent.). This level of geographic concentration causes the Group's credit risk profile to be particularly susceptible to adverse economic conditions at a regional level. In particular, factors such as house prices, levels of employment, interest rates and the amount of consumers' disposable income in the UAE can each have a material impact on its business (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – The Group's loan and investment portfolios and deposit base are concentrated by geography, sector and client*" below).

This challenging economic environment is expected to continue to have an adverse effect on the Group's credit risk profile. Although the Group regularly reviews its credit exposures and could re-price its loan portfolio and restructure the loans that may come under stress, impairments may need to be recognised and future defaults may occur. The occurrence of these events and any failure by the Group to maintain the quality of its assets through effective risk management policies to mitigate against credit risk could materially adversely affect the Group's business, results of operations and financial condition.

***The Group's business, results of operations and financial condition may be adversely affected by the impact of COVID-19***

The COVID-19 pandemic has negatively impacted the global economy, increased inflationary pressures, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets and may lead to lower economic growth in the GCC region and globally. In 2021, the global economy began reopening and robust economic activity supported a continued recovery through 2022. However, the emergence of COVID-19 variants and related surges in COVID-19 cases, particularly in China, have contributed to certain setbacks to reopening and could trigger the reinstatement of restrictions, including mandatory business shut-downs, travel restrictions, reduced business operations and social distancing requirements. Many medical and public health experts believe that COVID-19 could perpetually reoccur, such as seasonally in winter, and even if generally ceasing to be fatal for most people, such reoccurrence could increase the possibility of increased restrictions on business operations or global economic disruption.

In the UAE, the Group was the beneficiary of a number of financial stimulus and economic support packages aimed at helping against the negative impact of COVID-19. These support packages have expired or will expire in the short term. For example, effective from 15 March 2020, the Central Bank implemented a Targeted Economic Support Scheme (the "**TESS**") which included a range of measures aimed at mitigating the economic effects of COVID-19. Such measures included allowing banks operating in the UAE access to loans and advances extended by the Central Bank at zero cost against collateral by the banks, to be used to grant temporary relief to private sector corporate and SME customers and retail clients. In addition (subject to the terms of the TESS), banks were allowed to tap into their capital conservation buffer up to a maximum of 60 per cent. without supervisory consequences and the domestic systemically important banks (the "**D-SIBs**"), which includes the Issuer, were allowed to use 100 per cent. of their D-SIB buffer without supervisory consequences. The requirement to maintain a minimum LCR (as defined below) was also reduced from 100 per cent. to 70 per cent. and the reserve requirement for banks to maintain 14 per cent. of customer deposits with the Central Bank was reduced to 7 per cent. The measures introduced by TESS expired on 30 June 2022 and the reserve requirement reverted from 7 per cent. to 11 per cent. in April

2023. As at the date of this Prospectus, the Central Bank has not indicated when the reserve requirement will revert back to the pre-COVID level of 14 per cent.

In view of the expected volatility resulting from COVID-19, the Central Bank issued a requirement for banks to apply a prudential filter to expected credit losses ("**ECL**") provisions, which is aimed at minimising the effect of IFRS 9 provisions on regulatory capital. The filter allows for any increase in provisioning compared to the position as at 31 December 2019 to be partially added back to a bank's regulatory capital, which has the effect of improving such bank's capital position and providing improved consistency. IFRS 9 provisions are intended to be gradually phased-in during the five-year period ending on 31 December 2024.

***The Group's loan and investment portfolios and deposit base are concentrated by geography, sector and client***

The Group's loan portfolio is concentrated in the UAE. The current challenging macro-economic environment which has been further impacted by the negative effects of COVID-19 and volatility in oil prices, together with the ongoing process of rationalisation of federal government expenditure in the UAE economy, has had a material adverse effect on certain areas of this geographically concentrated portfolio and continues to impact the Group (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – The Group may experience material losses due to customer and counterparty defaults arising from adverse changes in credit and recoverability that are inherent in the Group's business*" and "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*" above). The Group's investment portfolio has exposure to the United States, Europe and the GCC (see "*Description of the Group – Treasury & Investments Group*").

As at 31 December 2022, the borrowers in respect of 82.8 per cent. of the Group's gross loans and advances to customers were located in the UAE (31 December 2021: 90.3 per cent.) and the borrowers in respect of the remaining 17.2 per cent. were located outside of the UAE (31 December 2021: 9.7 per cent.). Of the Group's gross loans and advances to customers as at 31 December 2022, real estate investment and hospitality accounted for 25.8 per cent. (of which 23.2 per cent. was concentrated in the construction and contracting sectors), personal loans accounted for 20.6 per cent., government and public sector entities accounted for 22.8 per cent. and financial institutions (including investment companies) accounted for 7.8 per cent.

The UAE real estate market is volatile. For example, according to the Central Bank, residential real estate sale prices increased at a rate of 18.3 per cent. in Dubai on a year on year basis in the fourth quarter of 2022 (following a year on year increase of 9.1 per cent. in Dubai on a year on year basis in the fourth quarter of 2021). In the same quarter, the average price per square meter of residential real estate in Abu Dhabi rose by 1.7 per cent. on a year on year basis (sources: Central Bank Quarterly Economic Review Q4 2022 and Central Bank Quarterly Economic Review Q4 2021). Given the concentration of the Group's gross loans and advances to customers as at 31 December 2022 within the real estate investment and hospitality sector (which includes the construction and contracting sectors), any deterioration in the Abu Dhabi real estate market could have a material adverse effect on the Group.

The quality of the Group's loan portfolio exposure to these sectors depends on, among other things, customer creditworthiness. This, in turn, is significantly affected by macro-economic business conditions. Various factors may contribute to a deterioration in the quality of the Group's loan portfolio, and in particular events or circumstances which are beyond the Group's control, such as deteriorating macro-economic conditions or the declaration of bankruptcy of a customer or a group of customers to which the Group's exposures are significant.

The Group's twenty largest loans and advances to customers constituted 27.2 per cent. of the Group's total gross loan portfolio as at 31 December 2022 (31 December 2021: 28.2 per cent.). In addition, as at 31 December 2022, the ten and twenty largest depositors accounted for 24.6 per cent. and 32.5 per cent., respectively, of the Group's total customer deposits.

The Group's investment securities portfolio has significant exposure to GCC-based issuers, with the investments primarily in sovereign and quasi-sovereign senior unsecured fixed income securities issued by

UAE and GCC issuers. As at 31 December 2022, 60.0 per cent. of the investment securities portfolio comprised exposure to UAE and GCC-based issuers (70.0 per cent. as at 31 December 2021). The majority of the Group's local liquidity is invested in government bonds and other government-related public sector entities in the UAE and systemically important financial institutions in the UAE and the GCC. The Group's investment securities portfolio outside the UAE and GCC was 40.0 per cent. of its total investment securities portfolio as at 31 December 2022 (31 December 2021: 30.0 per cent.).

As a result of the concentration of the Group's loan and investment portfolios and deposit base in the UAE and the GCC, any deterioration in general economic conditions in the UAE or in the GCC, or any failure of the Group to effectively manage its geographic, sectoral and client risk concentrations, could have a material adverse effect on its business, results of operations and financial condition.

Further, the majority of the population in the UAE is comprised of non-nationals who require a renewable work permit sponsored by their employer to work and reside in the UAE. Therefore most of the Group's customer base and retail loan portfolio, in addition to certain of its small to medium-sized enterprises corporate ("SMEs") (being entities with annual revenue of AED 150.0 million or less) and mid-corporate (being entities with annual revenue of between AED 150.0 million and AED 500.0 million) loan portfolios, is comprised of individuals who are (or, as the case may be, entities which are owned by) UAE-based expatriates. The Group is exposed to a "skip risk" that such customers may leave the UAE without making repayments on their loans. Although the Group takes overseas enforcement action against "skip" borrowers in certain countries and regularly reviews its credit exposures and has in place systems for assessing the financial condition and creditworthiness of its debtors, its failure to do so accurately or effectively may result in an increase in the rate of default for the Group's loan portfolio, which could have a material adverse effect on its business, results of operations and financial condition (see "Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's operations" below).

***If the Group is unable to effectively monitor and control the level of its non-performing loans with debtors in financial distress, or its allowances for loan impairment are insufficient to cover loan losses, the Group's business, results of operations and financial condition could be materially adversely affected***

As at 31 December 2022, the Group had AED 15.6 billion of gross impaired loans and advances to customers (including loans and advances to customers at fair value through profit or loss) (Stage 3 excluding POCI, as defined below) and carried total impairment allowances (excluding POCI) including fair value adjustments (for Stage 1 and Stage 2 accounts) of AED 14.5 billion to cover potential loan losses (31 December 2021: AED 14.9 billion of gross impaired loans and advances to customers (including loans and advances to customers at fair value through profit or loss) (Stage 3 excluding POCI) and total impairment allowances (excluding POCI) including fair value adjustments (for Stage 1 and Stage 2 accounts) of AED 13.9 billion). Additionally, as at 31 December 2022, the Group's gross purchased or originated credit-impaired ("POCI") loans and advances to customers were AED 2.4 billion as compared to AED 4.1 billion as at 31 December 2021. In accordance with IFRS, the Group is required to reflect the impairment calculated (which is based on its best estimates of recoveries and judgments leading to calculation of probable losses) as an upfront charge to the income statement. This is required to be written back to the income statement as and when interest or principal (as applicable) on the debt is received. However, there is no guarantee that impairment allowances recognised by the Group will be sufficient to cover its actual credit portfolio losses. As at 31 December 2022, impairment allowances including fair value adjustments (for Stage 1 and Stage 2 accounts) on loans and advances provide coverage for 93 per cent. of the Group's impaired loans (31 December 2021: 93.4 per cent.).

The estimated fair value of collateral and other security enhancements held against various credit risk exposures for the year ended 31 December 2022 was AED 227.2 billion (31 December 2021: AED 242.5 billion). Where the estimated fair value of collateral held exceeds the outstanding loan, any excess is paid back to the customers and is not available for offset against other loans (see "Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – Security interests or loan guarantees provided in favour of the Group may not be sufficient to cover any losses and may not be legally enforceable" below).

The Group regularly reviews and monitors compliance with lending limits to individual financial institutions and country limits (see "Risk Management – Management of Risks – Credit risk"). Further, the Group's risk group is responsible for the formulation of credit policies and processes in line with growth,



risk management and strategic objectives as promulgated by the Board and the Board risk and credit committee (see "*Management*").

If the Group fails to appropriately monitor and control the levels of, and adequately provide for, its impaired loans and advances to customers and loans under stress, the Group may need to make further impairment charges and its business, results of operations and financial condition could be materially adversely affected.

***A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances for doubtful loans and advances to customers would adversely affect the Group's results of operations and financial condition***

In connection with lending activities, the Group periodically establishes impairment allowances for loan losses, which are recorded in its income statement. The Group's overall level of impairment allowances is based upon its assessment of ECL, the volume and type of lending being conducted, collateral held, industry standards, past due loans, macro-economic conditions and other factors related to the recoverability of various loans. Although the Group endeavours to establish an appropriate level of impairment allowances based on its best estimate of the above factors, it may have to significantly increase its impairment allowances for loan losses in the future as a result of increases in non-performing assets, deteriorating economic conditions leading to increases in defaults and bankruptcies, or for other reasons.

Any significant increase in impairment allowances for loan losses or a significant change in the Group's estimate of the risk of loss inherent in its portfolio of non-impaired loans and advances to customers, as well as the occurrence of loan losses in excess of the impairment allowances allocated with respect thereto, would have a material adverse effect on its business, results of operations and financial condition.

***The Group has a portfolio of restructured and/or rescheduled loans and there is no guarantee that future restructurings will not be required***

As a consequence of adverse market conditions, the Group has historically focused on restructuring or rescheduling its loans with debtors in financial distress. Rescheduled loans represent loans whose terms have been rescheduled resulting in certain loan repayment concessions (such as re-scheduling principal payments until later periods and/or to set interest payments at a relatively low level for a certain time frame followed by larger interest payments in later periods) but where the new terms do not result in a present value loss to the Group. Restructured loans represent loans which have been renewed entirely or materially altered (to a greater degree than loans which have simply been rescheduled) and causes a loss to a bank as a result of reduced profit rate and/or principal amount. Restructured loans are not delinquent but an impairment is recognised where necessary, in accordance with IFRS 9 and is written back to the income statement as and when interest or principal (as appropriate) on the debt is received.

However, there is no guarantee that such reschedulings or restructurings will be successful in mitigating the Group's credit risk. Additionally, due to the lack of publicly available information and financial data regarding debtors' credit and payment histories in the GCC (primarily due to borrowers' limited credit histories and inability (and, in certain cases, unwillingness) to provide the quality and quantity of information sought by lenders), the Group is required to make certain assumptions when assessing the financial condition and creditworthiness of its debtors. See "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – The UAE's federal level credit bureau is still developing and any incomplete, unreliable or inaccurate information about the Group's debtors' and account holders' financial standing, credit history and ability to repay could impair the Group's ability to assess and monitor credit quality*" below and "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – Some of the Group's debtors are unable or unwilling to provide the quality and quantity of financial data sought by the Group, which may lead to material losses*" below.

If the Group fails to successfully reschedule or restructure loans or any assumptions made in order to effect such reschedulings or restructurings fail to materialise or a debtor counterparty defaults on the terms of the rescheduled or restructured loan, such loans may need to be rescheduled or restructured again or they may become impaired loans as a result of which the Group may need to make further impairment charges and its business, results of operations and financial condition could be materially adversely affected.

***The Group has credit exposure to the NMC Health Group and its associates companies, some of which are suspected of irregular financial activities and have been put into administration***

NMC Health PLC (together with its subsidiaries, the "NMC Health Group") is a UAE-based healthcare firm and one of the Group's debtors. A review into the NMC Health Group in early 2020 uncovered undisclosed liabilities of approximately U.S.\$4 billion and suspected irregular activities. Trading in NMC Health PLC's shares on the London Stock Exchange was suspended on 27 February 2020 and NMC Health PLC made a voluntary delisting of its shares from the London Stock Exchange on 27 April 2020.

As one of the largest creditors of the NMC Health Group, the Issuer led an application for the appointment of joint administrators to take control of the NMC Health Group, which was approved on 9 April 2020 and following which joint administrators took control of the NMC Health Group's business. A coordinating committee of significant debtholders, chaired by the Issuer, has been formed to act as the primary contact between the NMC Health Group and its creditors and to help with the restructuring of its debts. Discussions between the NMC Health Group and its lenders aimed at ensuring the continuity of its operations and the rapid recovery of its business have been ongoing and a three-year business plan has been adopted, with ADCB arranging and participating in a financing facility to ensure operational continuity and to allow for the restructuring. The restructuring plan of the NMC Health Group was approved by eligible creditors on 1 September 2021 and signed in March 2022. The restructuring plan resulted in the Issuer receiving transferable exit instruments issued by a new holding company for the NMC Health Group. Participants in the exit instruments will receive interest payments for the facility, which will ultimately be repaid from the proceeds generated from a sale of the underlying business at a later stage. The issuance of the exit instruments followed the completion of the NMC Health Group's debt restructuring process and its successful exit from administration. The exit instruments are structured to be redeemed upon the sale of the NMC Health Group business. A failure to monetise the business of the NMC Health Group for a value equal to the face amount of the exit instruments will impact the amount the Group is able to recover through the exit instruments.

Although the combined liabilities owed by the NMC Health Group to the Group represent 0.71 per cent. of the Group's total assets as at 30 September 2023, an inability to recover the debts owed to it may have an impact on the Group's financial condition.

***The goodwill arising from the Combination is subject to impairment testing, which may have an adverse effect on the Group's financial position and results of operations***

The consideration transferred by the Issuer in respect of the merger between the Issuer and Union National Bank P.J.S.C. ("UNB") (the "Merger") and the subsequent acquisition by the combined entity of Al Hilal Bank P.J.S.C. ("AHB") (the "Acquisition" and together with the Merger, the "Combination") was greater than the fair value of the net assets acquired. At the time of the Combination, certain cost savings, growth opportunities, synergies and other benefits were expected to be realised by the Issuer. The value of these benefits has been recorded as goodwill in the Group's financial statements as it represents the excess of the consideration transferred, over the fair value of the net assets acquired. The goodwill arising from the Combination has been allocated to the Group's operating segments that were expected to benefit from the synergies of the Combination and is subject to impairment testing in accordance with applicable accounting standards. Should the value of the benefits that were expected to occur as a result of the Combination fail to materialise, or be less than expected, the value of the Group's goodwill will be impaired, which will be recognised directly in the Group's consolidated income statement. Any such impairment will have an adverse effect on the Group's financial position and results of operations.

***The UAE's federal level credit bureau is still developing and any incomplete, unreliable or inaccurate information about the Group's debtors' and account holders' financial standing, credit history and ability to repay could impair the Group's ability to assess and monitor credit quality***

Substantially all of the Group's debtors are located in the UAE. Typically, there is little public information or financial data available regarding debtors' credit and payment histories in this region, primarily due to borrowers' limited credit histories and the fact that the federal level credit bureau, Al Etihad Credit Bureau, only became operational during 2014. Furthermore, statistical and other data on the Group's debtors may also be less complete than those available in jurisdictions with more mature financial markets.

As at the date of this Prospectus, data available from Al Etihad Credit Bureau is only used as a decision-making aid and has not fully remedied the challenges of obtaining fulsome debtor credit histories.

Accordingly, the Group is unable to rely solely on credit scores provided by the Al Etihad Credit Bureau when making a credit assessment and is required to make certain assumptions when assessing the financial condition and creditworthiness of its debtors. In the absence of meaningful statistical data on its existing and potential debtors, there can be no assurance as to the Group's ability to accurately assess the credit quality of its loan portfolios.

Furthermore, international banks that lend to UAE companies are not required to disclose information to the Central Bank or Al Etihad Credit Bureau. As such, there can be no assurance that Al Etihad Credit Bureau has complete information in respect of a UAE company's borrowings, which may impair the Group's ability to make credit based decisions.

Accordingly, the Group's failure to accurately assess the financial condition and creditworthiness of its debtors may result in increased defaults on the Group's loan portfolio, or defaults in excess of its expectations as well as increased losses upon default, any of which, which could have a material adverse effect on its business, results of operations and financial condition.

***Some of the Group's debtors are unable or unwilling to provide the quality and quantity of financial data sought by the Group, which may lead to material losses***

Although the Group requires regular disclosure of its debtors' financial information, some debtors, especially high net worth individuals ("HNWIs") (including the controlled/affiliated entities of these individuals) and SMEs, do not, or are unable to, provide the quality and quantity of information sought by the Group. Furthermore, such financial data may not always present a complete and comparable picture of each such debtor's financial condition. For example, the financial statements of the Group's debtors (including HNWIs) are not (unless publicly listed) required to be presented in accordance with IFRS or audited in accordance with International Standards on Auditing.

Unavailability of adequate quantity or quality of financial data in respect of its debtors may result in the Group's failure to accurately assess the financial condition and creditworthiness of its debtors, leading to increased defaults on the Group's loan portfolio, or defaults in excess of its expectations as well as increased losses upon default, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

***Security interests or loan guarantees provided in favour of the Group may not be sufficient to cover any losses and may not be legally enforceable***

The practice of pledging assets (such as share portfolios in margin lending and real estate assets) to obtain a bank loan is subject to certain limitations and administrative restrictions under UAE law. In particular, such security may not be enforced without a court order. As a result, security over certain pledged assets may not be enforced in UAE courts. Accordingly, the Group may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third-party credit support arrangements when debtors default on their loans and would likely face further such difficulties if any of the Group's key clients or shareholders were to default on their loans.

Additionally, under recent changes to Federal Decree by Law No. (50) of 2022, Promulgating the Commercial Transactions Law (the "CTL"), banks are required to obtain "adequate securities or collaterals" against loans granted by them. The amendments to the CTL have not defined what "adequate" or "sufficient" securities means in a commercial context and nor have the amendments to the CTL specified the consequences for failing to comply with them. As a result, in the absence of further clarification, it is possible that the UAE courts may seek to reject claims from the Group in respect of loans made to individuals and corporations on the basis of lack of "adequate" or "sufficient" security supporting the underlying loan.

In addition, even if such security interests are enforceable in UAE courts, the time and costs associated with enforcing security interests in the UAE may make it uneconomical for the Group to pursue such enforcement proceedings, adversely affecting the Group's ability to recover its loan losses. As at 31 December 2022, the Group had a loans and advances to customers portfolio (net of provisions) totalling AED 258.5 billion (31 December 2021: AED 244.3 billion).

The Group typically requires additional collateral in the form of cash and/or other assets in situations where the Group may not be able to exercise rights over pledged shares or where it enters into guarantees or other

third-party credit support arrangements for loans made to individuals and corporations. Any decline in the value or liquidity of such collateral (as a result of, for example, the market value of real estate assets which have been pledged as collateral) may prevent the Group from foreclosing on such collateral for its full value or at all in the event that a borrower becomes insolvent and enters bankruptcy, and could thereby adversely affect the Group's ability to recover the full amounts advanced to the borrower.

Further, Presidential Resolution No. 3/4/7135 Concerning Cheques dated 23 October 2012 granted immunity to UAE nationals in respect of Article 401 of Federal Law No. 3 of 1987 (the "Penal Code"). As a result, UAE nationals are not subject to criminal prosecution under the Penal Code for issuing bounced cheques. While similar provisions in respect of non-UAE nationals have not been enacted as at the date of this Prospectus, the UAE Insolvency Law (Federal Law No. 9 of 2016) (the "**Insolvency Law**") introduced provisions enabling a UAE court to grant a stay in respect of criminal proceedings relating to bounced cheques of a debtor, where such debtor enters into a bankruptcy procedure under the auspices of the Insolvency Law and irrespective of that debtor's nationality. Additionally, pursuant to Dubai Law No. 1 of 2017 concerning the Penal Order, the Dubai public prosecutor has the ability to issue 'penal orders' which downgrade certain offences to misdemeanours. The Dubai public prosecutor has issued such a 'penal order', downgrading to a misdemeanour the offence of issuance of a bounced cheque for amounts up to AED 200,000. As a result of these provisions, and in the event that similar immunity from criminal prosecution under the Penal Code is granted to non-UAE nationals, the Group may face difficulties in enforcing loan repayments for loans guaranteed by way of post-dated cheques.

The occurrence of any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

### **Risks relating to the Group's liquidity**

#### ***The Group's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations***

If the Group's cash flow from its operations is not sufficient to meet its short- and medium-term contractual and contingent payment obligations as they become due, it could experience liquidity issues. Such liquidity issues could occur if the Group's available liquidity is not sufficient to enable it to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, even if the Group continues to receive new deposits from customers, proceeds from new financings or its future revenue streams. Such liquidity issues could also arise if there is an unexpected outflow of customer deposits, if there is a material decline in the value of the Group's liquid securities portfolio or if the Group is unable to secure short-term funding at commercially acceptable rates to bridge this funding gap.

The Central Bank adopted a policy of a gradual, phased introduction of the capital and liquidity standards for credit institutions, approved by the Basel Committee on Banking Supervision (the "**Basel Committee**") in response to the 2008 global financial crisis (the "**Basel III Reforms**"). As part of this gradual introduction of Basel III in the UAE, the Central Bank informed certain banks in the UAE, including the Group, that they are subject to the Basel III liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"), which they are obliged to report to the Central Bank. The LCR is a metric introduced by the Basel Committee on Banking Supervision as part of the Basel III Reforms to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking a financial institution's stock of high-quality liquid assets ("**HQLAs**") – which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario – and dividing it by its projected net cash outflows over the immediately following 30-day period. The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. As per the Basel III Reforms, the Central Bank required that the minimum value of the ratio is 100 per cent. (i.e., an institution's stock of HQLAs should at least equal total net cash outflows) from 1 January 2019 onwards. As at 31 December 2022, the Group held a portfolio of HQLAs valued at AED 102.7

billion and had an LCR ratio of 138.9 per cent. (31 December 2021: HQLAs valued at AED 86.7 billion and LCR ratio of 124.1 per cent.). As at 30 September 2023, the Group's LCR ratio was 130.38 per cent. and it held a portfolio of HQLAs valued at AED 100.9 billion.

Accordingly, and in line with Central Bank direction, the Group monitors its liquidity position through LCR compliance and reporting. The associated requirement to maintain a significant buffer of HQLAs may

adversely affect the Group's core businesses of consumer and corporate & investment banking, particularly given the inherent cost of maintaining a HQLA portfolio of sufficient size and quality to cover regulatory outflow assumptions embedded in LCR. If the Group were to choose to mitigate against these additional costs by introducing selective deposit fees or minimum lending rates, this may result in a loss of customer deposits, a key source of the Group's funding, net new money outflows and/or a declining market share in its domestic loan portfolio. By virtue of the inherent costs associated with LCR compliance and maintaining a sufficient portfolio of HQLAs, the Group may be at a competitive disadvantage to its peer UAE-based financial institutions who do not monitor liquidity through LCR, which may have a material adverse effect on its business, results of operations and financial condition. If the Group defaults on any contractual or contingent payment obligation, such default would have a material adverse effect on its business, results of operations and financial condition.

In respect of compliance with the NSFR, there are certain sources of "Available Stable Funding" which are treated more favourably than others. Examples of these include customer deposits (with a residual maturity of more than one year) and retail deposits with a residual maturity of less than one year and exclude, for example, short term wholesale funding (with residual maturity of less than six months) and funding from derivative liabilities. As more banks adhere to such ratios, their adherence may inadvertently distort the market in the UAE which may have a material adverse effect on the business, results of operations and financial condition of the Group.

In addition, as a result of on-going implementation of Basel III standards in the UAE, the regulatory required Tier 1 common capital ratio (the "**CET 1 ratio**") (including countercyclical buffer) increased to 9.3 per cent. in 2018, again to 10 per cent. in 2019, with further increases expected in the future. Furthermore, due to the Group's status as a D-SIB, it is required to adhere to even higher capital ratios set by the Central Bank. As a D-SIB, the Group is required to have a CET 1 ratio of 10 per cent. The Group's CET 1 ratio was 13.46 per cent. as at 30 September 2023, 12.96 per cent. as at 31 December 2022 and 12.94 per cent. as at 31 December 2021. Whilst the Central Bank has currently provided a prudential filter aimed at reducing the effect of IFRS 9 provisions on regulatory capital (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's business – The Group's business, results of operations and financial condition may be adversely affected by the impact of COVID-19*") above, the Central Bank may further increase its CET 1 ratio requirement for D-SIBs in the future. The Central Bank may also require the Issuer to hold additional capital to cover risks that the Central Bank deems are not covered or are insufficiently covered by the Basel III Pillar 1 capital requirements, due to the results of a stress test or for other reasons. As a result, the Group may need to obtain additional capital in the future. Such capital, whether in the form of financing or additional capital contributions from its shareholders, may not be available on commercially favourable terms, or at all. Moreover, should the Group's capital ratios fall close to regulatory minimum levels, the Group's own internal minimum levels or the levels required to maintain its ratings at the desired level, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase. Additionally, the Group may find that any fair value assessments of its assets undertaken in connection with the purchase price accounting processes applicable to the Combination may have a detrimental impact on its capital adequacy levels.

***The Group relies on short-term demand and time deposits as a major source of funding but primarily has medium- and long-term assets, which results in asset-liability maturity gaps that could have a materially adverse effect on the Group***

In common with other banks in the UAE, many of the Group's liabilities are short-term demand and time deposits, whereas its assets are generally medium to long-term (such as loans and mortgages). This results in mismatches between the maturities of the Group's assets and liabilities. Mismatches could also arise if the Group is incapable of obtaining new deposits or alternative financing sources for its existing or future loan portfolio.

Although the Group has accessed wholesale funding markets (through bilateral or syndicated loans and international bond markets) since 2005 in order to diversify and extend the maturity profile of its funding sources, such borrowings have not eliminated asset-liability maturity gaps. As at 31 December 2022, 75.5 per cent. of the Group's funding (which comprises total liabilities and equity) had remaining maturities of one year or less or were payable on demand (31 December 2021: 73.1 per cent.).

If a substantial portion of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Group fails to refinance some of its large short- to medium-term borrowings, the Group may need to access more expensive sources to meet its funding requirements. No assurance can be given that the Group will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group's inability to refinance or replace such deposits with alternative funding could materially adversely affect the Group's liquidity, business, results of operations and financial condition.

***The Group has significant off-balance sheet credit-related commitments that may lead to potential losses***

As part of its normal banking business, the Group issues revocable and irrevocable commitments to extend credit, guarantees, letters of credit and other financial facilities to a number of its customers and counterparties (including those in the construction and contracting sectors) and makes commitments to invest in securities before such commitments have been fully funded. All of these are accounted for off-balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject the Group to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances to customers, and commitments to extend credit are contingent on customers maintaining required credit standards. Although the Group anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position, and in particular its liquidity position and impairment allowances. As at 31 December 2022, the Group had AED 110.7 billion in such contingent liabilities and commitments (31 December 2021: AED 98.3 billion).

***The Group may be materially adversely affected by a loss of business from key clients that represent a significant portion of net operating income***

The Group generates a significant proportion of its net operating income from certain key clients, including Government-controlled and Government-related entities, and members of the ruling family of Abu Dhabi and other HNWI's (including the controlled/affiliated entities of these individuals). The loss of all or a substantial portion of the business provided by one or more of these clients could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. Therefore the Group is exposed to shifts in Governmental spending and policy and its impact on the level of economic activity in Abu Dhabi and the UAE (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's Business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*" above) over which it has no control and the effect of such shifts on the Group may be difficult to predict. Challenging economic conditions since mid-2014 have resulted in larger budget deficits across the GCC economies, coupled with reduced fiscal budgets and public spending.

The Group's failure to adequately foresee and assess such shifts may have an adverse effect on its business, results of operations and financial condition.

**Risks relating to the Market in which the Group operates**

***Changes in interest rate levels may adversely affect the Group's net interest income and borrowing costs, and the value of assets sensitive to interest rates and spread changes may be adversely affected***

The Group's operations are affected by, among other things, fluctuations in interest rates. In particular, the Group's activities depend on the Group's interest rate risk management, as well as the connections between market rates and interest margins. The Group's net interest income largely depends on the level of the Group's interest-bearing assets and liabilities, as well as the average interest rate on interest-bearing assets and liabilities and on the average interest on interest-bearing assets and liabilities.

Any shortage of liquidity in markets that are sources of funding for the Group could contribute to an increase in the Group's marginal borrowing costs. Similarly, any increase in interbank reference rates could

also affect the value of certain assets that are subject to changes in applicable interest rates. As at 31 December 2022, the Group's borrowings (with the effect of hedging) were largely set at floating rates based on interbank reference rate, such as 3-month LIBOR/EIBOR, plus a specified margin. The Group's interest rate sensitivity position as at 31 December 2022 and 2021 was based on maturity dates and contractual re-pricing arrangements.

Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the Central Bank and the U.S. Federal Reserve, political factors and domestic and international economic conditions. See "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's Business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*" above for information regarding recent volatile market conditions and monetary policies adopted by the Central Bank and the U.S. Federal Reserve in an attempt to stabilise economies against the negative impact of COVID-19 and rising inflation.

As at 31 December 2022, 92.9 per cent. of the Group's total wholesale borrowings were denominated in U.S. dollars (31 December 2021: 90.4 per cent.). If interbank reference rates rise, the interest payable on the Group's floating rate borrowings increases. Additionally, in a rising interest rate environment, the Group's interest expense may increase significantly as a result of the higher interest rates payable on the Group's existing time deposits and a propensity amongst customers to convert their lower interest bearing current and savings account deposits to time deposits. The Group's marginal cost of funding may increase as a result of a variety of factors, including further deterioration of conditions in the financial markets or loss of confidence by and between financial institutions. If the Group fails to pass on such increase in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, it could have a material adverse effect on its business, results of operations and financial condition.

***Changes in equity and debt securities prices may adversely affect the values of the Group's investment portfolios***

The Group holds investment securities, and a decrease in realised and unrealised fair value investment gains together with fair value losses on such investment securities has had a material adverse impact on the Group as a result of global macro-economic volatility. Instability in the international debt and equity capital markets could have a material adverse impact on the Group's investment portfolios and its financial condition and results of operations. As at each reporting period, the Group records: (i) realised gains or losses on the sale of any investment securities; (ii) unrealised fair value gains or losses in respect of any investment securities that are classified at fair value through other comprehensive income as at the end of the period on a mark to market basis; and (iii) impairment where there is a sustained decrease in fair value of any investment securities. As at 30 September 2023, the Group carried a negative revaluation reserve of AED 1.76 billion other comprehensive income, mainly due to a negative market to market value of bonds, after considering the hedge impact to the extent hedged. This negative revaluation reserve negatively impacted the Group's CET 1 ratio by 0.46 per cent.

The amounts of such gains and losses may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and the Group's investment policies. The Group's net realised gains/(losses) on investment securities (comprising securities/other financial assets carried at fair value through profit or loss and fair value through other comprehensive income) totalled AED 37.6 million for the year ended 31 December 2022 and AED 278.3 million for the year ended 31 December 2021.

The Group cannot predict the amount of realised or unrealised gain or loss for any future period, and variations from period to period are not indicative of future performance. Gains on the Group's investment portfolio may not continue to contribute to net income at levels consistent with those from recent periods or at all.

**Risks relating to the Group's operations**

***The Group's risk management policies and internal controls may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks, which could result in material losses***

In the course of its business activities, the Group is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, operational risk, compliance risk and regulatory risk (see

"Risk Management"). Investors should note that any failure to adequately control these risks could result in material adverse effects on the Group's business, results of operations and financial condition, as well as its general reputation in the market.

The Group's risk management techniques may not be fully effective or consistently implemented in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Group's methods of managing risk are based upon its use of historical market behaviour which, as evidenced by events caused by the global financial crisis and global macro-economic volatility in more recent times, may not always accurately predict future risk exposures, which could be significantly greater than such historical measures indicate. Other risk management practices, including "know your customer" ("KYC") practices, depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to the Group. Where risk management decisions are based, in whole or in part, upon information that is made available to the Group by either clients or public sources, the Group is reliant on the adequacy of this information. To the extent there is a deficiency in the information, risk management decisions of the Group may be adversely affected.

There is a lack of publicly available information and financial data regarding debtors' credit and payment histories in the GCC (primarily due to borrowers' limited credit histories and inability (and, in certain cases, unwillingness) to provide the quality and quantity of information sought by lenders and the fact that credit bureaus in the UAE are in their infancy) (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's Business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*", "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's Business – The UAE's federal level credit bureau is still developing and any incomplete, unreliable or inaccurate information about the Group's debtors' and account holders' financial standing, credit history and ability to repay could impair the Group's ability to assess and monitor credit quality*" and "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's Business – Some of the Group's debtors are unable or unwilling to provide the quality and quantity of financial data sought by the Group, which may lead to material losses*" above). Accordingly, the Group, in common with other UAE banks, is frequently required to make risk management assessments in the absence of the quality and quantity of information available to lenders in other, more developed markets.

As such practices are less developed in the GCC than they are in other markets and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up-to-date or properly evaluated in all cases.

There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect the Group against, all credit, liquidity, market, operational, regulatory and other risks. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate. The Group also cannot give assurance that all of its staff have adhered, or will adhere to, its risk policies and procedures.

The Group is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – If the Group is unable to anticipate and develop or provide new digital services for its customers and/or keep pace with the digitisation of the banking market, the Group's business, results of operations and financial condition could be materially adversely affected*" below). The Group's risk management and internal control capabilities are also limited by the information tools and technologies available to it. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market, operational, compliance or regulatory risk, which may in turn have a material adverse effect on the Group's business, results of operations and financial condition.



***If the Group is unable to retain key members of its executive management and/or remove underperforming staff and/or recruit and retain new qualified personnel in a timely manner, this could have an adverse effect on the business of the Group***

The Group's ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The Group is likely to face challenges in recruiting qualified personnel to manage its business. In common with other banks in the UAE, the Group experiences a shortage of qualified employees residing in the UAE, which requires it to recruit from outside the UAE. In addition, even after hiring its employees, the Group has faced challenges in retaining such employees due to the continued recruitment efforts of its competitors.

For the years ended 31 December 2022 and 2021, the Group experienced employee attrition rates of approximately 9.3 per cent. and 11.1 per cent., respectively. Additionally, if the Group continues to grow, it will need to continue to increase its number of employees.

The Group may have to incur costs to replace senior executive officers or other key employees who leave, and the Group's ability to execute its business strategy could be impaired if it is unable to replace such persons in a timely manner.

The Group is guided in its human resources decisions by the UAE federal government's minimum threshold for Emirati employees, as set out in the UAE federal policy on Emiratisation, promulgated by UAE Cabinet Decree number 3/10/267 of 2015, dated 25 October 2015 (the "**Emiratisation Circular**") (see "*Description of the Group – Human Resources – Emiratisation*"). If the Group is not able to meet or exceed the minimum threshold for Emirati employees set out in the Emiratisation Circular, it may be subject to legal penalties, calculated in accordance with the Emiratisation Circular. Due to UAE federal labour laws, the Group may face difficulties that could delay or prevent dismissal of a UAE national employee if it finds such an employee's performance to be unsatisfactory.

While the Group believes that it has effective staff recruitment, training and incentive programmes in place, its failure to recruit, train and/or retain necessary personnel, its inability to dismiss certain employees or the shortage of qualified UAE nationals or other nationals prepared to relocate to the UAE, could have a material adverse effect on its business, results of operations and financial condition.

***If the Group is unable to anticipate and develop or provide new digital services for its customers and/or keep pace with the digitisation of the banking market, the Group's business, results of operations and financial condition could be materially adversely affected***

The banking markets in which the Group operates have been characterised in recent times by rapid technological change, evolving industry standards, changing customer service preferences and dynamics and new product and service innovations. The Group's future success will depend in part on its ability to anticipate such advances and to develop or provide new product and service offerings to meet dynamic customer requirements in the digital age. The Group may fail to anticipate or respond to technological advances on a timely basis, or, if it does respond, the services or technologies that it develops may not be successful in the marketplace as compared to its principal competitors.

The digitisation of many of the Group's core business processes is a key strategic focus for the Group. In line with this organisation-wide strategic focus on digitisation, the Group has dedicated significant resources to the development of its digital offering and will continue to make such investment as it strives to remain competitive (see "*Description of the Group – Strategy*" and "*Description of the Group – Digitisation*" for further details on the Group's digitisation initiatives). However, such investment and resource commitment may not provide the Group with the competitive advantage, cost savings or anticipated performance improvements the Group expects. Additionally, cybersecurity risks for financial institutions have significantly increased because of the proliferation of new technologies and the use of the Internet and telecommunications technologies to conduct financial transactions (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – The Group relies on third-party service and system providers in the operation of its business and is subject to potential cyber-attack*" below).

Failure by the Group to anticipate and effectively respond to changes in the markets in which the Group operates and develop new or enhanced technologies or processes that are competitive in the market could materially adversely affect the Group's business, results of operations and financial condition.

***The Group relies on third-party service and system providers in the operation of its business and is subject to potential cyber-attack***

The Group relies on the services and expertise of third-party service and system providers in the operation of its business. As a result of such outsourcing arrangements, the Group faces the risk that such third-party service and system providers become insolvent, enter into default or fail to perform their contractual obligations in a timely manner or at all or fail to perform at an adequate and acceptable level. Any such failure could lead to interruptions in the Group's operations or result in vulnerability of its information technology systems, exposing the Group to operational failures, additional costs, reputational damage or cyber-attacks.

The threat to the security of the Group's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cybersecurity change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cybersecurity risk and continually review and update current processes in response to new threats could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage the Group's reputation and/or brands, which could have a material adverse effect on the Group's business, results of operations and financial condition.

***The Group is subject to the risk of global climate change***

The risks associated with climate change include both physical and economic risks. These risks are subject to rapidly increasing international societal, regulatory and political focus. For the Group, a global shift that results in a transition towards a low carbon economy could have a significant impact on the Group's business. In addition, physical risks from climate change arise from a number of factors and relate to specific weather events and longer-term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the global economy is predicted to be more acute in the future.

The potential economic impact of global change includes, but is not limited to, lower gross domestic product ("GDP") growth, higher unemployment and significant changes in asset prices and profitability of industries. As the international and regional economies in which the Group operate transition to low carbon economies, financial institutions such as the Group may face significant and rapid developments in stakeholder expectations, policy, law and regulation which could impact the lending activities the Group undertakes, as well as the risks associated with its lending portfolios, and the value of the Group's financial assets. Furthermore, the Group may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage, which may in turn impact customer demand for the Group's products, returns on certain business activities and the value of certain assets and trading positions, which may result in impairment charges.

If the Group does not adequately embed risks associated with climate change into its risk assessment framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, there may be a material and adverse impact on the Group's business, results of operation and financial condition.

**Regulatory risks relating to the Group's business**

***The Group is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on the Group's business, results of operations and financial condition***

The Group is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk (see "*The United Arab Emirates Banking Sector and Regulations*"). These regulations include UAE federal laws and regulations (particularly those of the UAE federal government and the Central Bank), as well as the laws and regulations of the other countries in which the Group operates. In particular (but without limitation), the Group is subject to restrictions on certain credit limits in respect of real estate and construction financing, major shareholders or to a single customer (based on the Group's

customer deposits and/or capital and reserves as prescribed by the Central Bank) and concentration limits on total credit and other risk exposures.

The Central Bank has recently issued a high volume of new regulations and standards, some of which are already in effect and others which will become effective in the near future. In particular, new regulations and standards have been proposed that cover consumer protection, data privacy, outsourcing, credit risk management and the operation of the Group's Islamic window. As part of the process of introducing internal controls and action plans to comply with the Central Bank's regulations and standards, such actions may have an adverse effect on the Group's business, results of operations and financial condition.

On 23 February 2017, the Central Bank published the "Regulations re Capital Adequacy" (the "**February 2017 Regulations**") which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III Reforms, whilst implementing the measures contained in the May 2016 consultation document published by the Central Bank, entitled "Capital Adequacy Regulation" (the "**Consultation Document**"). The February 2017 Regulations are supported by the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were first published by the Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSN/2020/4980 and most recently updated on 30 December 2022 by virtue of Notice No. CBUAE/BSN/2022/5280 (the "**Accompanying Standards**"). The Accompanying Standards elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements and how they will be applied by the Central Bank to banks in the UAE. For example, banks which are classified as D-SIBs by the Central Bank (such as the Issuer) will be required to hold additional capital buffers as notified to them by the Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a Supervisory Review and Evaluation process of the Central Bank.

Moreover, the Central Bank requires that a periodic distribution on an additional tier 1 instrument should be cancelled if the relevant UAE bank does not have sufficient "Distributable Items" on the relevant date for payment of (i) such periodic distribution and (ii) certain other payment obligations. However, if the Central Bank's ultimate implementation of any additional counter-cyclical or systemically important buffers is not in accordance with the provisions set out in the February 2017 Regulations and the Accompanying Standards, the regulatory burden on UAE financial institutions such as the Issuer may further increase which could adversely impact the Group's business. In addition, if further counter-cyclical or systemically important buffers are implemented by the Central Bank, it is possible that UAE financial institutions, including the Issuer, will be required to increase the levels of Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, "**Regulatory Capital**") that they hold on their balance sheets.

As at 30 September 2023 the Group's total capital adequacy ratio was 16.16 per cent. (30 September 2022: 15.44 per cent.) and included AED 6.0 billion Tier 1 capital notes (which, as at 31 December 2018, were AED 4.0 billion for the Issuer and increased to AED 6.0 billion following the completion of the Combination) issued by the Group to the Government's Department of Finance (the "**Tier 1 Notes**") and U.S.\$750 million Tier 2 subordinated note (the "**Tier 2 Note**"). The Tier 2 Note matured in March 2023. As at 30 September 2023, the Group's total Tier 2 capital was AED 4.3 billion. The Group continuously evaluates its debt profile and may consider opportunities that arise from time to time to refinance and/or repay existing debt (including its subordinated debt). Any redemption of the Group's existing subordinated debt would have a material and adverse effect on the Group's capital base.

In addition, Article 116 of Federal Law No. 14 of 2018 (which entered into force with effect from 23 September 2018), as amended by Federal Decree Law No. 25 of 2020 and Federal Decree No. 9 of 2021 (the "**HSA Law**") indicates that the Central Bank shall establish a resolution framework for financial institutions, pursuant to which, in the case of a deficiency in an institution's financial position, the Central Bank may take certain actions for the protection of the concerned institution and its depositors. These may include (without limitation) requesting a court to liquidate or declare bankrupt such institution, or prepare a plan for transfer of its assets and liabilities, in accordance with established laws. The timing and content for any such framework are uncertain. The exercise (or perceived likelihood of exercise) of any such action by the Central Bank or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities.

The Central Bank has recently issued a high volume of new regulations and standards, some of which are already in effect and others which will become effective in the near future. In particular, new regulations and standards have been proposed that cover consumer protection, data privacy, outsourcing, credit risk

management, model risk management and the operation of the Group's Islamic window. As part of the process of introducing internal controls and action plans to comply with the Central Bank's regulations and standards, such actions may have an adverse effect on the Group's business, results of operations and financial condition.

Such regulations may limit the Group's ability to increase its loan portfolio or raise capital or may increase the Group's cost of doing business. Any further changes in laws or in Central Bank regulations or policy and/or the manner in which they are interpreted or enforced may affect the Group's reserves, revenues and performance and may have a material adverse effect on the Group's business, results of operations and financial condition. Furthermore, non-compliance with regulatory guidelines could expose the Group to potential liabilities and fines. Although the Group works closely with its regulators and continually monitors compliance with Central Bank regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

A description of the legal and regulatory environment applicable to banks generally in the UAE is set out below under "*The United Arab Emirates Banking Sector and Regulations*".

***If the Group fails to comply with applicable anti-money laundering, counter-terrorism financing, sanctions and other related regulations, it could face substantial fines and damage to its reputation***

In order to carry out and expand its businesses, it is necessary for the Group to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

The Group is also required to comply with applicable anti-money laundering ("**AML**"), counter-terrorism financing laws, sanctions, and other regulations in the jurisdictions in which it operates. The Group complies with the economic sanctions, rules and requirements of the UAE, the United Nations Security Council, the Office of Foreign Assets Control, the European Union and the United Kingdom, and of such other states or regions as the Issuer may consider relevant, and applicable anti-corruption laws in the jurisdictions in which it conducts business. These laws and regulations require the Group, among other things, to adopt and enforce KYC/AML policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Group has adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments.

In June 2022, the Financial Action Task Force, a global monitor for AML and counter-terrorism financing regulation, identified the UAE as a "jurisdiction under increased monitoring", commonly referred to as the "grey list". In January 2023, the Central Bank released new guidance on AML and counter-terrorism financing for financial institutions containing new obligations for banks to conduct customer due diligence through digital identification systems. To the extent the Group fails or is perceived to fail to fully comply with new guidance from the Central Bank or any other applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Group. In addition, the Group's business and reputation could suffer if customers use the Group for money laundering or illegal purposes.

***A negative change in any of the Group's credit ratings could limit its ability to raise funding and may increase its borrowing costs***

The Group has been assigned a long-term credit rating of A (with a stable outlook) by Standard & Poor's and a long term credit rating of A+ (with a stable outlook) by Fitch. These ratings, which are intended to measure the Group's ability to meet its debt obligations as they mature, are an important factor in determining the Group's cost of borrowing funds.

There is no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be lowered or withdrawn entirely if circumstances in the future so warrant (including as a result of the Combination). A downgrade of the Group's credit ratings, or a negative change in their outlook, may:

- limit the Group's ability to raise funding;
- increase the Group's cost of borrowing; and

– limit the Group's ability to raise capital,

each of which could materially adversely affect its business, financial condition and results of operations. Moreover, actual or anticipated changes in the Group's credit rating may affect the market value of the Capital Securities.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Ratings may not reflect the potential impact of all risks related to structure, market, the risk factors discussed in this section and others that may affect the value of the Capital Securities.

***The interests of the Group's controlling shareholder, and its ability to appoint a majority of the board of directors of the Group, may conflict with the commercial interests of the Group, which may also conflict with the interests of the holders of Capital Securities***

As at the date of this Prospectus, the Government holds 60.2 per cent. of the Group's share capital, through Mubadala Investment Company's ("MIC") wholly-owned subsidiary, One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC ("114 LLC"). As a result, the Government has the ability to block actions or resolutions proposed at the Group's annual or extraordinary general meetings. Accordingly, the Government could cause the Group to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement the policy of the Government rather than to foster the commercial interests of the Group.

Additionally, as at the date of this Prospectus, each member of the Group's board of directors (the "**Board**") is elected by the Group's shareholders. MIC, through 114 LLC, as the majority shareholder, has the right to appoint a proportionate number of members of the Board to its shareholding in the Group. As at the date of this Prospectus, the Chairman of the Board is one of the directors appointed by MIC and MIC has appointed five other members of the Board. The Board, in turn, appoints the Group Chief Executive Officer ("**GCEO**") and specifies his powers and authority in controlling and monitoring the Group's business on a day-to-day basis, recommending strategy to the Board, leading senior management and implementing the Board's strategic and operational decisions. Although the Group's corporate governance policies have been designed on the basis of international best practice, Central Bank regulations on corporate governance and the Basel Committee's guidelines on corporate governance, including specific, core principles designed to ensure (amongst other things) accountability in the relationships between the Board and the shareholders, MIC is able to exert significant influence in the composition of the Board and, through the Board's ability to specify the powers of the GCEO, the day-to-day management of the Group's business.

In addition, many of the Group's largest customers are Government-related entities whose businesses depend, in large part, on Government spending and policy. Although it is the Group's policy that transactions with parties related to, or affiliated with, its controlling shareholder are priced at market rates, are otherwise undertaken on an arm's-length basis and are subject to the same loan or account approval procedures and limits as applied by the Group to transactions with parties not related to or affiliated with the Government, there can be no assurance that any and all such credit or credit support will be extended to related parties on the above basis and terms. In some cases, the Group may enter into transactions with such entities with a view to long-term, mutually beneficial relationships, even if the Group may not achieve short-term profit maximisation from such transactions. Moreover, although the Group has not experienced pressure from its controlling shareholder to date to conduct transactions upon more favourable terms with Government-owned or controlled legal entities or to deviate from its credit and lending policies and procedures, there is no guarantee that the Group may not come under pressure to pursue certain non-core activities, engage in activities with a lower profit margin than it would otherwise pursue or to provide financing to certain companies or entities on favourable or non-market terms. Such activities could have a material adverse effect on the Group's business, results or operations and financial condition.

### ***Currency risk***

The Group is exposed to foreign currency risk through transactions in foreign currencies and due to its net investments in foreign operations through its subsidiaries (mainly in Egyptian pounds and Kazakhstani tenge).

The Group's above transactional exposures give rise to foreign currency gains and losses which are recognised in the consolidated statement of income or in other comprehensive income based on the nature

of the transaction. The Group currently monitors the level that net foreign currency exposure is kept by buying and selling foreign currencies at spot rates or by hedging, including hedges for its net investment in foreign operations as and when appropriate. See "*Risk Management – Management of Risks – Market Risk – Currency risk*" for further information.

## **Risks relating to the UAE and MENA**

### ***The UAE's economy is highly dependent upon its oil revenue***

The UAE's economy, and the economy of Abu Dhabi in particular, is highly dependent upon oil revenue. While Abu Dhabi is actively promoting tourism and real estate and undertaking several large-scale development projects, the hydrocarbon sector (mining and quarrying) dominates Abu Dhabi's economy and contributed approximately 40.8 per cent. in 2019 and 41.7 per cent. in 2018 to Abu Dhabi's nominal GDP (according to preliminary estimates published by the Statistics Centre), reflecting the lower oil price environment since mid-2014 onwards. However, the Government continues to implement strategies intended to increase the number of and type of industry sectors contributing to the economy.

The Group has historically received significant funding and other support from the Government and the UAE federal government. In the case of the Government, such funding and other support has been largely derived from the Government's significant oil revenues.

According to OPEC data, as at 31 December 2021, the UAE had approximately 7.2 per cent. of the world's proven crude oil reserves (giving it the fifth largest oil reserves in the world) (source: OPEC Annual Statistical Bulletin 2022) while, according to preliminary data produced by the Federal Competitiveness and Statistics Centre (the "**FCSC**"), the mining and quarrying sector (which includes crude oil and natural gas) constituted approximately 27.7 per cent. of the UAE's constant GDP in 2021, as compared to 28.7 per cent. in 2020.

According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years. See further "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's Business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*" above. In addition to a fall in the demand for oil as a result of the spread of COVID-19, factors such as the inability of OPEC and its allies to efficiently reach an agreement on oil production levels had a significant impact on the price of oil in 2021. OPEC officials proposed a plan to the OPEC countries and other non-OPEC countries, including Russia (collectively, "**OPEC plus**"), to reduce global oil production by 1.5 per cent. In January 2021, OPEC and Russia agreed to a slight easing of the oil production cuts by 500,000 barrels per day and in May 2021, the OPEC Reference Basket reached a monthly average of U.S.\$66.91. However, rising tensions between Russia and NATO in connection with Ukraine at the beginning of 2022 and culminating in the Russia-Ukraine crisis that erupted in February 2022 and which is still ongoing, caused oil prices to surge above U.S.\$100.00 for the first time since 2013 to U.S.\$110.97 per barrel as at 1 May 2022. Although oil prices have since declined and reached a monthly average of U.S.\$74.80 per barrel in August 2023, increases to oil prices, due to the ongoing Russia-Ukraine crisis or for any other reason and particularly when coupled with high inflation, may have a negative impact on the Issuer's corporate and individual customers. This, in turn, may have an adverse effect on the Issuer's business, financial condition, results of operations and prospects.

With this backdrop, oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Group has no control. Factors that may affect the price of oil include, but are not limited to:

- (in the near-to-medium term) the effect of COVID-19 on global economic activity and the demand for oil and gas;
- economic and political developments in oil producing regions, particularly in the Middle East and in Eastern Europe;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products, especially in the case of an accelerated energy transition scenario;

- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions, for example net zero targets;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels;
- other actions taken by major crude oil producing or consuming countries; and
- global weather and environmental conditions.

If the prevailing low international prices for hydrocarbon products are sustained for a significant period of time into the future, this could have a material adverse effect on the UAE's economy which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations and thereby adversely affect the Issuer's and/or the Group's ability to perform its obligations in respect of any Capital Securities.

***The Group is subject to risks associated with political and economic conditions in Abu Dhabi, the UAE and the Middle East***

The majority of the Group's current operations and interests are located in the UAE. The Group's results of operations are, and will continue to be, generally affected by financial, economic and political developments in or affecting Abu Dhabi, the UAE and the Middle East and, in particular, by the level of economic activity in Abu Dhabi, the UAE and the Middle East which, in turn, is affected by the prevailing level of global crude oil prices. It is not possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the Group would be able to sustain the operation of its business if adverse political events or circumstances were to occur. A general downturn or instability in certain sectors of the UAE or the regional economy could have an adverse effect on the Group's business, results of operations and financial condition.

Investors should also note that the Group's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of interrelationships within the global financial markets. In addition, the implementation by the Government or the UAE federal government of restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates, new legal interpretations of existing regulations or the introduction of a broad taxation regime (extending beyond VAT, which was introduced in the UAE with effect from 1 January 2018 and the corporate income tax that is effective for accounting periods beginning on or after 1 June 2023 and will apply to the Issuer from 1 January 2024 (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Tax changes in the UAE may have an adverse effect on the Group*" below)) or exchange controls could have a material adverse effect on the Group's business, financial condition and results of operations and thereby affect the Issuer's and/or the Group's ability to perform its obligations in respect of any Capital Securities.

While the UAE is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East and North Africa ("**MENA**") region may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, in June 2017, a number of MENA countries including the UAE, Saudi Arabia, Bahrain and the Egypt severed diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and accusing Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans. However, in January 2021, Saudi Arabia, Bahrain, Egypt and the UAE announced the ending of the blockade of Qatar including the restoration of diplomatic relations and the reopening of land and sea borders.

In addition, in January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a U.S. base in Iraq. More recently, in August 2020, the UAE and Bahrain announced the normalisation of relations with Israel but these have since been strained due to an increase in tensions and violence between Israel and Palestine since April 2021, which has led to fears of a full-scale war and resulted in further volatility in the region.

There has also been an escalation of tension between Iran and a number of western governments since 2019 following the United States' withdrawal from the Joint Comprehensive Plan of Action, including the attack on a number of oil tankers in the Strait of Hormuz, the seizure of foreign-flagged oil tankers, missile strikes by Iran on United States military bases in Iraq and the decision of Iran to resume uranium enrichment activities. In addition, in January 2020, the United States carried out a military strike which killed Qassem Soleimani, a senior Iranian military commander. As a result of this military strike, Iran launched missiles at U.S. bases in Iraq.

On 17 January 2022, the Houthis, a militant Yemeni movement, claimed responsibility for what the UAE described as a drone and missile attack on Abu Dhabi at the facilities of Abu Dhabi National Oil Corporation, a state-owned oil company. In the following weeks, UAE forces intercepted three more hostile drones that entered UAE airspace, one of which was claimed by an Iraqi militia group.

More broadly, the current events in Israel and Gaza that commenced in October 2023 could increase the risk of destabilisation of the broader region and the situation remains highly volatile and uncertain.

These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting the countries in the MENA region could adversely impact the UAE although to date there has been no significant impact on the UAE.

Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the Middle East and, in particular, could impact the numbers of tourists that choose to visit the UAE and the number of businesses interested in doing business in the UAE and, consequently, could have a material adverse effect on the Group's business, results of operations and financial condition, and thereby adversely affect the Issuer's and/or the Group's ability to perform its obligations in respect of any Capital Securities.

***The Group is subject to the risks associated with the economy of Egypt***

As at 31 December 2022, the Group's total funded exposure to customers in Egypt was U.S.\$ 8.28bn (31 December 2021: U.S.\$ 5.54bn), with Egyptian government and government-related entities representing 45 per cent. of this exposure. As at 31 December 2022, the Group's offshore exposure (through Abu Dhabi Commercial Bank PJSC) represented 59 per cent. of the Group's total Egyptian exposure, with onshore exposure (through ADCB-E) representing 41 per cent. The Group's exposure to Egypt mainly includes amounts due from banks, loans and advances to customers, investment securities and structured funding arrangements and other assets.

In addition, through its consolidation of ADCB-E, the Group is impacted by exchange rate movements in the Egyptian pound (see further "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Regulatory risks relating to the Group's business – Currency Risk*" above).

As a result of the Group's exposure in Egypt and to the Egyptian government and its related entities, the continued deterioration in general economic conditions in Egypt or any worsening of the financial stability of the Egyptian government and its related entities may have a material adverse effect on the Group's business, results of operations and financial condition.

***Neither the Government nor the UAE federal government is under any obligation to continue to invest in or otherwise engage in business with the Group and either or both may alter their respective relationships with the Group at any time and for any reason***

The Group was incorporated in 1985 by Resolution No. 90 of the Abu Dhabi Executive Council. The Government has held, indirectly, at least 58.1 per cent. of the Group's share capital, and has maintained significant deposits with the Group, throughout the Group's history. During the period between 2008 and 2009, the Government (through its purchase of the Group's Tier 1 Notes) provided a total of AED 4.0 billion in Tier 1 capital notes to the Group (which stood at AED 6.0 billion as at 30 September 2023). In 2009, the UAE federal government also provided AED 6.6 billion in Tier 2 capital to the Group which was repaid on



2 June 2013. Despite the Government's and the UAE federal government's past investments in and deposits with the Group and funding support, neither the Government nor the UAE federal government are under any obligation to continue to invest in, make deposits with, do business with or otherwise support the Group. The Government and the UAE federal government may, whether directly or through government-owned entities, at any time and for any reason, dispose of its investments in, withdraw its deposits from, cease to do business with or otherwise cease to support the Group. The reduction or elimination of government support could have a material adverse effect on the Group's business, results of operations and financial condition.

***The Capital Securities will not be guaranteed by the Government***

The Government, through MIC's wholly-owned subsidiary, 114 LLC is a majority shareholder in the Group. Like any other shareholder, the Government has no legal obligation to provide additional funding for any of the Group's future operations. The Government is not providing a guarantee of any of the Group's obligations in respect of Capital Securities, nor is the Government under any obligation to purchase any of the Group's liabilities or guarantee any of the Group's obligations, and the holders of Capital Securities therefore do not benefit from any legally enforceable claim against the Government.

***The increasingly competitive environment in the UAE banking industry may adversely affect the Group's business, results of operations and financial condition***

The Group faces high levels of competition within the UAE for all of its products and services. The Group competes primarily with a large number of other domestic banks in the UAE, some of which are also owned, directly or indirectly, by the governments of the relevant Emirates, government-related entities or members of the ruling families of the relevant Emirates. As at 31 March 2023, there were a total of 50 commercial banks registered in the UAE (consisting of 22 locally incorporated commercial banks and 28 foreign commercial banks) (source: Central Bank Monetary Banking & Financial Markets Developments Report Q1 2023). The Group's main domestic competitors in terms of size of banking franchise and product and customer segments are Emirates NBD Bank PJSC ("**Emirates NBD**"), First Abu Dhabi Bank PJSC ("**First Abu Dhabi Bank**"), Standard Chartered Bank, HSBC Bank plc/HSBC Bank Middle East Limited ("**HSBC**"), Mashreqbank psc ("**Mashreqbank**"), Dubai Islamic Bank PJSC ("**Dubai Islamic Bank**") and Abu Dhabi Islamic Bank PSJC ("**Abu Dhabi Islamic Bank**"). In the UAE market, as at 31 December 2022 and according to the 2022 Financial Statements and the publicly available financial statements of the Group's main domestic competitors as at and for the year ended 31 December 2022, the Group had the third largest market share in terms of total loans behind Emirates NBD and First Abu Dhabi Bank and also had the third largest market share in terms of total customer deposits behind, Emirates NBD and First Abu Dhabi Bank. There can be no assurance that the Group will be able to maintain its current market share in the future.

In addition to the local commercial banks in the UAE, the Group competes with a number of international banks in investment advisory, investment banking, corporate advisory, finance and other services. In the large corporate and government client segments, the Group faces competition from international banks and such competition is expected to increase in the UAE over time. Although the Group seeks to cooperate with some of the top-tier international banks, especially in securities underwriting and distribution, it will also compete with them in other areas, particularly in corporate advisory and treasury operations in which these banks have a long history of successful operations in other regions.

Further, the UAE could be viewed as an over-banked market, even by regional standards, with 61 commercial banks licensed to operate inside the UAE as at 31 March 2023 (22 locally incorporated commercial banks and 28 foreign commercial banks) (source: Central Bank Monetary Banking & Financial Markets Developments Report Q1 2023), serving a population estimated to be in the region of approximately 9.44 million people as of mid-2022 (source: Statistical Yearbook 2022 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, the merger between National Bank of Abu Dhabi and First Gulf Bank, which was completed on 30 March 2017, has stimulated further moves towards greater consolidation amongst UAE banks such as the Combination and the acquisition of Noor Bank P.J.S.C. by Dubai Islamic Bank P.J.S.C, which was completed in January 2020 (source: Reuters). While any further consolidation could increase the level of concentration in the domestic banking sector, it could also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital

costs, such as information technology system development. (see "*The United Arab Emirates Banking Sector and Regulations – Characteristics of the Banking System – Historic Lack of Consolidation*").

If the Group is unable to compete successfully, it could adversely impact the Group's business, results of operations and financial condition.

Furthermore, the banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the WTO, the GCC or any other similar entities, it is likely to lead to a more competitive environment for the Group and other domestic financial institutions. In the event of increased competition and/or limited new business opportunities, the Group may face difficulties due to shrinking interest margins which could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

***Tax changes in the UAE may have an adverse effect on the Group***

As at the date of this Prospectus, the Group is not currently subject to corporation tax on its earnings within the UAE. However, on 9 December 2022, the UAE Ministry of Finance issued the Corporate Tax Law to enact a Federal corporate tax regime in the UAE, that will apply to taxable persons for financial years beginning on or after 1 June 2023. For the Issuer, corporate tax will apply from 1 January 2024. Under the Corporate Tax Law, corporate tax will apply on the net profits of a business. A 9 per cent. corporate tax rate will apply to taxable income above AED 375,000, while a rate of 0 per cent. will apply to taxable income not exceeding AED 375,000. However, there are a number of aspects of the Corporate Tax Law and the application of corporate tax pursuant to the law that remain to be clarified by way of a cabinet decision and that are critical for entities, such as the Issuer, to determine their tax status and the amount of tax due under the Corporate Tax Law. The Issuer shall continue to monitor the status of the aforementioned clarifications to determine its corporate tax status.

Investors should also be aware that with effect from 1 January 2018, the UAE federal government implemented a VAT regime within the UAE at a rate of 5 per cent. as part of a broader GCC-wide agreement. Saudi Arabia, which implemented VAT on 1 January 2018 at the rate of 5 per cent., increased the rate to 15 per cent. effective from 1 July 2020. Bahrain joined the GCC VAT regime on 1 January 2019 and increased the rate to 10 per cent. effective from 1 January 2022. Oman implemented VAT on 16 April 2021. Qatar is expected to introduce VAT in 2023 at a rate of 5 per cent. See further "– Risks relating to the Group's Business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition" above.

The implementation of changes to corporation tax (or any analogous tax regimes) may have a material adverse effect on the Group's business, results of operations and financial condition, which in turn could affect the Issuer's ability to perform its obligations in respect of any Capital Securities.

***Any alteration to, or abolition of, the foreign exchange "peg" of the UAE dirham or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies***

The Group maintains its accounts, and reports its results, in UAE dirham. The UAE dirham has been pegged to the U.S. dollar since 22 November 1980 and remains pegged as at the date of this Prospectus. Additionally, the following oil producing GCC countries have their currencies pegged to the U.S. dollar as at the date of this Prospectus: the Kingdom of Saudi Arabia; the Sultanate of Oman; the Kingdom of Bahrain; and the State of Qatar. In response to the volatility of oil prices internationally throughout 2015, oil producing countries with currencies that had been traditionally pegged to the U.S. dollar, faced pressure to de-peg and, in certain cases, did de-peg their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the U.S. dollar peg against the Azerbaijani manat.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a devaluation against the U.S. dollar immediately post-removal of the peg.

Given the levels of exposure among regional financial institutions to other pegged currencies, it is also likely that such currency de-valuation(s) would adversely impact the banking systems in the UAE and across the wider GCC. As at 31 December 2022, the Group's U.S. dollar, and other currencies pegged to the U.S. dollar, net long spot delta was approximately U.S.\$6.9 billion. Any de-peg of these currencies will have an impact on the Group's financial condition. As at 31 December 2022, a +/- 5 per cent. sensitivity to these funding pegged currencies is estimated to have an impact of U.S.\$1.06 billion gain or loss on the Group's income statement. In addition, as at 31 December 2022, the Group's net U.S. dollar, pegged and non-pegged, trading spot delta was approximately short U.S.\$0.60 billion which is within the Board's approved limit of long U.S.\$2 billion.

While the Central Bank has re-iterated its intention to retain the UAE dirham peg against the U.S. dollar, there can be no assurance that the UAE dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Group's result of operations and financial condition. Additionally, any such de-pegging either in the UAE or across the wider region, particularly if such de-pegging is accompanied by the anticipated currency de-valuations against the U.S. dollar (as described above), could have an adverse effect on the Group's business, results of operations and financial condition, and thereby affect the Issuer's ability to perform its obligations in respect of any Capital Securities.

### **Risks relating to enforcement**

#### ***Investors may experience difficulties in enforcing arbitration awards and foreign judgments in the UAE***

The payments under the Capital Securities are dependent upon the Issuer making payments to investors in the manner contemplated under the Capital Securities. If the Issuer fails to do so, it may be necessary for an investor to bring an action against the Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

The Capital Securities, the Subscription Agreement, the Deed of Covenant and the Agency Agreement are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the LCIA Rules, with an arbitral tribunal with its seat in London (or, subject to the exercise of an option to litigate given to certain parties (other than the Issuer), the courts of England are stated to have jurisdiction to settle any disputes).

Where an English judgment has been obtained, there is no assurance that the Issuer has, or would at the relevant time have, assets in the UK against which such a judgment could be enforced. The Issuer is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE law, the UAE courts (including the courts of Abu Dhabi) are unlikely to enforce an English court judgment without first re-examining the merits of the claim, to which they may simply apply UAE law; thus ignoring the choice by the parties of English law as the governing law of the transaction. In the unlikely event that the parties' choice was respected, it is important to note that in the UAE, foreign law is required to be established as a question of fact. Therefore, the interpretation of English law by a court in the UAE may not accord with that of an English court.

In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or which is contrary to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in other jurisdictions. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement and would be contrary to the public policy of the UAE.

There is no established track record as to how the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention). This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems independent of the federal system, and whose rulings may have no more than persuasive force cross-border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention (as described above), there are other cases where the enforcement of foreign arbitral awards have been refused.

Federal Law No. 42 of 2022 Promulgating the Civil Procedure Code ("**Law of Civil Procedure**") governs the enforcement of foreign arbitral awards in the UAE. The Law of Civil Procedure confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that any conditions for enforcement of foreign arbitral awards set out therein shall not prejudice the provisions of treaties and agreements entered into by the UAE with other states, such as the New York Convention. However, there is no established track record as to how the overlapping provisions of the New York Convention and the Law of Civil Procedure will be interpreted and applied by the UAE courts in practice. In addition, there remains a risk that, notwithstanding the Law of Civil Procedure and the terms of any applicable treaties or agreements between the UAE and other states, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the "**UAE Arbitration Law**") to the enforcement of any non-UAE arbitral award. As the UAE Arbitration Law and the Law of Civil Procedure are both relatively untested, it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

#### **Risks which are material for the purpose of assessing the risks associated with the terms of the Capital Securities**

##### ***The right to receive repayment of the principal amount of the Capital Securities and the right for any further interest will be permanently written-down upon the occurrence of a Non-Viability Event***

If a Non-Viability Event occurs, the Prevailing Principal Amount of the Capital Securities then outstanding will be permanently written-down in whole or, in exceptional cases, in part on a *pro rata* basis, in each case as solely determined by the Regulator. See "*The circumstances triggering a Write-down are unpredictable and holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders*". Pursuant to a Write-down, the rights of any holder of the Capital Securities for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Interest Payment Amounts), shall be cancelled (and the principal amount of the Capital Securities shall be reduced accordingly) and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto. In the case of a Write-down in whole, the Capital Securities shall be cancelled.

In the exceptional cases in which a Write-down in part is required by the Regulator, a Write-down in part may occur on one or more occasions as solely determined by the Regulator provided, however, that the principal amount of a Capital Security shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 10 (*Write-down at the Point of Non-Viability*), Interest Payment Amounts will then accrue on the reduced principal amount of the Capital Securities (subject to the Conditions). Also, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event or any redemption of the Capital Securities will be by reference to such reduced principal amount of the Capital Securities.

The Conditions do not in any way impose restrictions on the Issuer following a Write-down, including restrictions on making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, the ordinary shares of the Issuer), any *Pari Passu* Obligations or any Senior Obligations.

Holders of the Capital Securities will lose all or some of their investment in the Capital Securities as a result of a Write-down and moreover, in such event, holders of the Capital Securities may suffer losses in respect

of their investment in the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders. See "*The circumstances triggering a Write-down are unpredictable and holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders*" below.

Investors should also be aware that the application of a non-viability loss absorption feature contained in Condition 10 (*Write-down at the Point of Non-Viability*) has not been tested in the UAE and therefore some degree of uncertainty exists in its application.

A "**Non-Viability Event**" means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will become, Non-Viable without: (a) a Write-down; or (b) a public injection of capital (or equivalent support).

The Issuer shall be "**Non-Viable**" if (a) it is insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business, or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator, or in the Capital Regulations.

***The circumstances triggering a Write-down are unpredictable and holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders***

The occurrence of a Non-Viability Event is unpredictable and depends on a number of factors, many of which are outside of the Issuer's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Regulator. As a result, the Regulator may require a Write-down in circumstances that are beyond the control of the Issuer and with which the Issuer or a holder of the Capital Securities may not agree (and regardless of whether or not the Solvency Conditions (as defined below) are satisfied at such time). Furthermore, although the Conditions provide that the Regulator may require a Write-down in whole or in part upon the occurrence of a Non-Viability Event, the current stated position of the Regulator is that a Write-down in whole will apply in all such cases save only in exceptional cases as determined by the Regulator in its sole discretion.

Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 10 (*Write-down at the Point of Non-Viability*) has not been tested in the UAE and therefore some degree of uncertainty exists in its application. The Issuer expects that any Write-down of the Capital Securities would take place (a) after the Ordinary Shares of the Issuer absorb losses (if and to the extent permissible under the relevant regulations applicable to the Issuer at such time); (b) after the write-down or write-off of any of the Issuer's obligations in respect of Other Common Equity Tier 1 Instruments; and (c) simultaneously and *pro rata* with the write-down of any of the Issuer's other obligations in respect of Additional Tier 1 Capital. However, the Regulator shall, in its sole discretion, determine the occurrence of a Non-Viability Event and therefore the occurrence of a Write-down and there can be no assurance that a Write-down would take place as described in this paragraph.

The Regulator shall, in its sole discretion, determine the occurrence and scope of a Non-Viability Event and therefore the requirement for a Write-down. Accordingly, prospective investors should note that the Regulator may require a Write-down, regardless of whether or not the Solvency Conditions are satisfied at such time, without also requiring the Ordinary Shares of the Issuer to absorb any losses. In such circumstances, holders of the Capital Securities may suffer losses in respect of their holding of the Capital Securities ahead of, or without, any losses being required to be borne by the Issuer's shareholders.

The exercise (or perceived likelihood of exercise) of any such power (and the manner of exercise of such power) by the Regulator or any suggestion of such exercise could materially adversely affect the value of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities. The financial viability of the Issuer will also depend in part on decisions made by the Issuer in relation to its business and operations, including the management of its capital position. In making such decisions, the Issuer may not have regard to the interests of the holders of the Capital Securities and, in particular, the consequences for the holders of the Capital Securities of any such decisions and there can be no assurance in any such circumstances that the interests of the Issuer, its shareholders and the Regulator will be aligned with those of the holders of the Capital Securities.

***Payments of Interest Payment Amounts are conditional upon certain events and may be cancelled and are non-cumulative***

No Interest Payment Amounts are payable on the relevant Interest Payment Date if a Non-Payment Event (as more particularly provided in Condition 6.1 (*Interest Cancellation – Non-Payment Event*)) occurs. Each of the following events is a Non-Payment Event for the purposes of the Conditions with respect to each Interest Payment Date:

- (i) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of the relevant Interest Payment Amount, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;
- (ii) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (iii) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;
- (iv) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (v) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this paragraph (v) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

In relation to paragraph (i) above, as at the Issue Date, "Distributable Items" is defined in the Conditions as "the amount of the Issuer's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital". As at 30 September 2023, the Issuer's Distributable Items amounted to AED 13 billion.

However, current guidance issued by the Regulator has indicated that the definition of "Distributable Items" may in the future be calculated by reference to the latest audited or (as the case may be) auditor reviewed non-consolidated financial statements. To the extent that this change comes into effect in the future, the level of Distributable Items as so calculated might be lower than otherwise would be the case if the change does not take effect.

In relation to paragraph (ii) above, payment restrictions will also apply in circumstances where the Issuer does not meet certain capital buffer requirements, namely, payment restrictions in an amount equal to the Maximum Distributable Amount (as defined below) if the combined capital buffer requirement is not satisfied pursuant to the Capital Regulations. In the event of a breach of the combined buffer requirement, under the Capital Regulations, the restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the Issuer's profits for the most recent relevant period. Such calculation will result in a maximum distributable amount (the "**Maximum Distributable Amount**") in each relevant period. As an example, the scaling is such that in the lowest quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including Interest Payment Amounts in respect of the Capital Securities. In such circumstances, the aggregate amount of distributions which the Issuer can make on account of dividends, Interest Payment Amounts and redemption amounts on its Additional Tier 1 instruments (including the Capital Securities) and certain variable remuneration (such as bonuses) or discretionary pension benefits will be limited. Furthermore,

there can be no assurance that the combined buffer requirement applicable to the Issuer will not be increased in the future, which may exacerbate the risk that discretionary distributions, including payments of Interest Payment Amounts in respect of the Capital Securities, are cancelled.

In the event of a Non-Payment Event, certain restrictions on declaration of dividends or distributions and redemption of certain securities by the Issuer will apply in accordance with Condition 6.3 (*Interest Cancellation – Dividend and Redemption Restrictions*). However, the holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event and the non-payment of any Interest Payment Amount in such a circumstance shall not constitute an Enforcement Event. The Issuer shall not make or have any obligation to make any subsequent payment in respect of any such unpaid amount. Any failure to provide notice of a Non-Payment Event in accordance with the Conditions will not invalidate the cancellation of the relevant payment of the Interest Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance with Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

In such case, the holders of the Capital Securities will not receive Interest Payment Amounts on their investment in the Capital Securities and shall not have any claim in respect thereof. Any non-payment of Interest Payment Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Capital Securities.

***The Capital Securities are subordinated, conditional and unsecured obligations of the Issuer***

Prospective investors should note that the payment obligations of the Issuer under the Conditions rank: (i) subordinate and junior to all Senior Obligations; (ii) *pari passu* with all *Pari Passu* Obligations; and (iii) in priority only to all Junior Obligations. Accordingly, the payment obligations of the Issuer under the Conditions rank junior to all unsubordinated payment obligations of the Issuer (including payment obligations to depositors of the Issuer in respect of their due claims) and all subordinated payment obligations of the Issuer to which the payment obligations under the Conditions rank or are expressed to rank junior, and *pari passu* with all subordinated payment obligations of the Issuer which rank or are expressed to rank *pari passu* with the payment obligations of the Issuer under the Conditions.

Prospective investors should also note that the payment obligations of the Issuer under the Conditions are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (a) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

Further, the payment obligations of the Issuer under the Capital Securities are unsecured and no collateral is or will be given by the Issuer in relation thereto.

Notwithstanding any other provisions in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities. As a result, holders of the Capital Securities would lose the entire amount of their investment in the Capital Securities.

In addition, a holder of the Capital Securities may exercise its enforcement rights in relation to the Capital Securities only in the manner provided in Condition 11 (*Enforcement Events*). If an Enforcement Event occurs and the Issuer fails to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, the claims of the holders of the Capital Securities under

the Capital Securities will be extinguished without any further payment to be made by the Issuer under the Capital Securities.

Furthermore, any indication or perceived indication that any of the Solvency Conditions may not be satisfied or that a bankruptcy order may be issued may have a material adverse effect on the market price of the Capital Securities and could lead to holders losing some or all of their investment in the Capital Securities.

#### ***Perpetual securities***

The Capital Securities are perpetual securities which have no scheduled repayment date. Holders of the Capital Securities have no ability to require the Issuer to redeem their Capital Securities unless, and subject to the restrictions described in Condition 11 (*Enforcement Events*), an Enforcement Event occurs. The Issuer has the option to redeem the Capital Securities in certain circumstances as more particularly described in Condition 9 (*Redemption and Variation*), although there is no assurance that it will do so.

This means that the holders of the Capital Securities should be aware that they may be required to bear the financial risks of an investment in the Capital Securities and have no ability to cash in their investment, except:

- (i) if the Issuer exercises its rights to redeem the Capital Securities in accordance with Condition 9 (*Redemption and Variation*);
- (ii) upon the occurrence of an Enforcement Event, to the extent possible under the limited remedies set out in Condition 11 (*Enforcement Events*); or
- (iii) by selling their Capital Securities.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

There can be no assurance that holders of the Capital Securities will be able to reinvest the amount received upon redemption or sale at a rate that will provide the same rate of return as their investment in the Capital Securities.

#### ***No limitation on issuing senior securities***

Other than the limitations in relation to the issue of further Additional Tier 1 Capital by the Issuer as set out in Condition 4.4 (*Status and Subordination – Other Issues*) which limits the circumstances in which Additional Tier 1 Capital of the Issuer that ranks senior to the Capital Securities can be issued, there is no restriction on the Issuer incurring additional indebtedness or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Capital Securities, and which may reduce the likelihood of the Solvency Conditions being met and/or the amount recoverable by holders of the Capital Securities on a winding-up or liquidation of the Issuer.

#### ***The Conditions contain limited Enforcement Events and remedies***

The Enforcement Events in the Conditions are limited to: (i) a payment default by the Issuer for a period of seven days in the case of any principal and 14 days in the case of interest (save, in each case, where such failure occurs solely as a result of the occurrence of a Non-Payment Event); (ii) a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts as they fall due; (iii) an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iv) any event occurs which under the laws of the UAE has an analogous effect to those described in (ii) and (iii) above.



Moreover, pursuant to Condition 11 (*Enforcement Events*), upon the occurrence of an Enforcement Event, limited remedies are available to a holder of the Capital Securities. A holder of the Capital Securities may give notice to the Issuer (at the specified office of the Fiscal Agent) that the Capital Securities are due and payable at the Early Redemption Amount and thereafter: (1) institute any steps, actions or proceedings for the winding-up of the Issuer; and/or (2) prove in the winding-up of the Issuer; and/or (3) claim in the liquidation of the Issuer for such payment; and/or (4) take such other steps, actions or proceedings to enforce, prove or claim for such payment which, under the laws of the UAE, have an analogous effect to the actions referred to in (1) to (3) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*)), which provides (amongst other things) that if the Solvency Conditions are not satisfied or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities). In addition, any holder of the Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Conditions other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations).

Furthermore, pursuant to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*), claims in respect of Senior Obligations of the Issuer would first have to be satisfied in any winding-up or liquidation before holders of the Capital Securities may expect to obtain any amounts in respect of the Capital Securities and, prior thereto, holders of the Capital Securities may only have limited (if any) ability to influence the conduct of such winding-up or liquidation. If an Enforcement Event occurs and the Issuer has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of the Issuer has been issued by a court in the UAE, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished, and the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

#### ***Resettable fixed rate instruments have a market risk***

A holder of an instrument with a fixed interest rate that will be reset during the term of the instrument (as will be the case for the Capital Securities with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating interest rate levels and uncertain interest income. While the expected interest rate on the Capital Securities is fixed until the First Reset Date (with a reset of the Interest Rate on the First Reset Date as set out in the Conditions and every fifth anniversary thereafter), the current investment return rate in the capital markets (the "**market return rate**") typically changes on a daily basis. As the market return rate changes, the market value of the Capital Securities may also change, but in the opposite direction. If the market return rate increases, the market value of the Capital Securities would typically decrease. If the market return rate falls, the market value of the Capital Securities would typically increase. The holders of Capital Securities should be aware that movements in these market return rates can adversely affect the market value of the Capital Securities and can lead to losses for the holders of Capital Securities if they sell the Capital Securities.

#### ***Variation upon the occurrence of a Capital Event or a Tax Event***

Upon the occurrence of a Capital Event or a Tax Event, the Issuer may, subject as provided in Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) (as the case may be) and without the need for any consent of the holders of the Capital Securities, vary the terms of the Capital Securities such that they become or remain (as appropriate) Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required.

A Capital Event will arise if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities.

A Tax Event will arise if, on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of a Tax Law Change that becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities.

The tax and stamp duty consequences of holding the Capital Securities following variation as contemplated in Condition 9 (*Redemption and Variation*) could be different for certain holders of the Capital Securities from the tax and stamp duty consequences for them of holding the Capital Securities prior to such variation and the Issuer shall not be responsible to any holder of the Capital Securities for any such consequences in connection therewith. No assurance can be given as to whether any of these changes will negatively affect any particular holder of the Capital Securities or the market value of the Capital Securities.

***The Capital Securities may be redeemed early or purchased subject to certain requirements***

Upon the occurrence of a Tax Event or a Capital Event, or at its option on the First Call Date or on any date thereafter up to and including the First Reset Date or on any Interest Payment Date following the First Reset Date, the Issuer may, having given not less than 10 nor more than 15 days' prior notice to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), redeem in accordance with the Conditions all (but not some only) of the Capital Securities at the Tax Redemption Amount, Capital Event Redemption Amount or Early Redemption Amount (as applicable) (as more particularly described in Condition 9.1(b) (*Redemption and Variation – Issuer's Call Option*), Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*)).

Any redemption of the Capital Securities is subject to the requirements in Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), including (to the extent then required) obtaining the prior consent of the Regulator. There can be no guarantee that the consent of the Regulator will be received on time or at all.

There is no assurance that the holders of the Capital Securities will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities. Potential investors should consider re-investment risk in light of other investments available at that time.

The exercise of (or perceived likelihood of exercise of) the redemption features of the Capital Securities may limit their market value, which is unlikely to rise substantially above the price at which the Capital Securities can be redeemed.

Any purchase of the Capital Securities by the Issuer or any of its subsidiaries is subject to the requirements in Condition 9.2 (*Redemption and Variation – Purchase*), including (to the extent then required by the Regulator or the Capital Regulations) obtaining the prior written consent of the Regulator. There can be no guarantee that the written consent of the Regulator will be received on time or at all, particularly as the Issuer has been notified by the Regulator that it will provide such written consent in exceptional cases only.

***Modification***

The Conditions contain provisions for calling meetings of holders of the Capital Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Capital Securities including holders of the Capital Securities who did not attend and vote at the relevant meeting and holders of the Capital Securities who voted in a manner contrary to the majority.

The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of holders of the Capital Securities, to any modification of any Capital Securities, in the circumstances specified in Condition 16 (*Meetings of Holders of the Capital Securities and Modification*).

The Conditions also provide that the Issuer may, without the consent or approval of the holders of the Capital Securities, vary the Conditions provided that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and, in the case of a variation upon the occurrence of a Tax Event, so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, as

provided in Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) and Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*).

### ***Change of law***

The Conditions are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Capital Securities.

### ***Reliance on Euroclear and Clearstream, Luxembourg procedures***

The Capital Securities will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg (together, the "ICSDs"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Individual Certificates. The ICSDs and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Capital Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the ICSDs and their respective participants. While Capital Securities are represented by the Global Certificate, the Issuer will discharge its payment obligation under such Capital Security by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Capital Securities so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### ***Credit ratings may not reflect all risks***

As at the date of this Prospectus, the Capital Securities are not rated. However, one or more independent credit rating agencies may assign a credit rating to the Capital Securities. Any rating may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above, or any other factors that may affect the value of the Capital Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (i) endorsed by a UK registered credit rating agency; or (ii) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Prospective investors should note that this is subject, in each case, to: (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Capital Securities changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Capital Securities may have a different regulatory treatment, which may impact the value of the Capital Securities and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

***Taxation risks on payments***

Payments made by the Issuer in respect of the Capital Securities could become subject to taxation. Condition 12 (*Taxation*) requires the Issuer to pay additional amounts in certain circumstances in the event that any withholding or deduction is imposed by the UAE or the Emirate of Abu Dhabi in respect of any interest payments under the Capital Securities (but not in respect of principal), such that net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Capital Securities in the absence of such withholding or deduction.

***Trading in the clearing systems***

As the Capital Securities have a denomination consisting of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof, it is possible that such Capital Securities may be traded in amounts that are not integral multiples of U.S.\$200,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to at least U.S.\$200,000 in order to be eligible to receive an Individual Certificate.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been published and have been filed with the Euronext Dublin, shall be incorporated in, and form part of, this Prospectus:

- unaudited condensed consolidated interim financial statements of the Issuer as at and for the nine months ended 30 September 2023 and the review report thereon (an electronic copy of which is available at: <https://www.adcb.com/en/multimedia/pdfs/2023/october/FinancialStatements-Q3-2023.pdf>):

### **Interim Financial Statements**

Independent Auditor's Review Report .....	Page 3
Condensed Consolidated Interim Statement of Financial Position.....	Page 4
Condensed Consolidated Interim Income Statement .....	Page 5
Condensed Consolidated Interim Statement of Comprehensive Income.....	Page 6
Condensed Consolidated Interim Statement of Changes in Equity .....	Page 7
Condensed Consolidated Interim Statement of Cash Flows.....	Pages 8 to 9
Notes to the Condensed Consolidated Interim Financial Statements .....	Pages 10 to 55

- audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2022 (together with the notes to the consolidated financial statements and the auditors' report thereon) (an electronic copy of which is available at <https://www.adcb.com/en/multimedia/pdfs/2023/january/FinancialStatements-Q4-2022.pdf>):

### **2022 Financial Statements**

Independent Auditor's Report .....	Pages 4 to 10
Consolidated Statement of Financial Position .....	Page 11
Consolidated Income Statement .....	Page 12
Consolidated Statement of Comprehensive Income.....	Page 13
Consolidated Statement of Changes in Equity .....	Page 14
Consolidated Statement of Cash Flows.....	Page 15
Notes to the Consolidated Financial Statements .....	Pages 16 to 131

- the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2021 (together with the notes to the consolidated financial statements and the auditors' report thereon) (an electronic copy of which is available at <https://www.adcb.com/en/multimedia/pdfs/2022/january/FinancialStatements-Q4-full-year-2021.pdf>):

### **2021 Financial Statements**

Independent Auditor's Report .....	Pages 4 to 10
Consolidated Statement of Financial Position .....	Page 11
Consolidated Income Statement .....	Page 12
Consolidated Statement of Comprehensive Income.....	Page 13
Consolidated Statement of Changes in Equity .....	Page 14
Consolidated Statement of Cash Flows.....	Page 15
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in each case prepared by the Issuer.

Copies of the documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London and have been published on the website of Euronext Dublin (<https://live.euronext.com/>).

Any parts of the documents referred to above which are not expressly incorporated by reference in this Prospectus as provided above are either not relevant for investors or are covered elsewhere in this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 23 of the EU Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this

Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

## ALTERNATIVE PERFORMANCE MEASURES

Certain financial measures presented by the Issuer in this Prospectus are not defined in accordance with IFRS accounting standards. The Issuer believes that these alternative performance measures (as defined in the European Securities and Markets Authority guidelines on Alternative Performance Measures ("APMs")) provide useful supplementary information to both investors and to the Issuer's management, as they facilitate the evaluation of underlying business performance across financial reporting periods. However, investors should note that, since not all companies calculate financial measurements such as the APMs presented by the Issuer in this Prospectus in the same manner, these are not always directly comparable to performance metrics used by other companies.

APM	Definition/method of calculation	Reconciliations with Consolidated Financial Statements/accounting records
<p><b>Twenty largest loans and advances to customers as a percentage of gross loans and advances to customers</b></p>	<p>This figure is calculated to determine whether the Group has any material concentration risk as at each financial reporting period. The figure is calculated by taking the Group's twenty largest loans and advances to customers as the numerator and total gross loans and advances to customers as the denominator, in each case, as at the relevant reporting date.</p>	<p><b>Twenty largest loans and advances to customers</b></p> <p>This figure has been derived from the Group's internal accounting records.</p> <p><b>Loans and advances to customers, gross</b></p> <p>Refers to the same concept/figure as "<i>Gross loans and advances to customers (including loans and advances to customers at fair value through profit or loss)</i>" as set out in Note 11 to the 2022 Financial Statements.</p>
<p><b>Return on average equity</b></p>	<p>Financial measure expressing the profit for the period/year attributable to equity holders of the Bank after deducting the coupon on Tier 1 capital notes divided by average shareholders' equity and average shareholders' equity calculated as the sum of the opening and closing balances of shareholders' equity (after deducting capital notes and non-controlling interests) in a given reporting period divided by two.</p>	<p><b>Net adjusted profit for the period/year attributable to equity holders of the Bank</b></p> <p>Refers to the same concept/figure as "<i>Profit for the period/year attributable to equity holders of the Bank</i>" minus "<i>Capital notes coupons paid</i>" as set out in the Consolidated Income Statement and Consolidated Statement of Changes in Equity in the Annual Financial Statements and Interim Financial Statements.</p> <p><b>Shareholders' equity</b></p> <p>Refers to the same concept/figure as "<i>Total equity</i>" less "<i>capital notes</i>" and "<i>non-controlling interests</i>" as set out in the Consolidated Statement of Financial Position in the Annual Financial Statements and the Interim Financial Statements.</p>
<p><b>Return on average tangible equity</b></p>	<p>Financial measure expressing the profit for the period/year attributable to equity holders of the Bank after deducting the coupon on Tier 1 capital notes divided by average shareholders' equity and average</p>	<p><b>Net adjusted profit for the period/year attributable to equity holders of the Bank</b></p> <p>See above.</p>

<b>APM</b>	<b>Definition/method of calculation</b>	<b>Reconciliations with Consolidated Financial Statements/accounting records</b>
	shareholders' equity calculated as the sum of the opening and closing balances of shareholders' equity (after deducting capital notes, non-controlling interests and net intangible assets) in a given reporting period divided by two.	<p><b>Shareholders' equity</b></p> <p>Refers to the same concept/figure as "<i>Total equity</i>" less "<i>capital notes</i>", "<i>non-controlling interests</i>" and "<i>intangible assets, net</i>" as set out in the Consolidated Statement of Financial Position in the Annual Financial Statements and Interim Financial Statements.</p>
<b>Cost to income ratio</b>	Financial measure to express operating efficiency and is computed as operating expenses divided by operating income.	<p><b>Operating expenses</b></p> <p>As set out in the Consolidated Income Statement in the Annual Financial Statements or as set out in the Condensed Consolidated Interim Income Statement in the Interim Financial Statements.</p> <p><b>Operating income</b></p> <p>As set out in the Consolidated Income Statement in the Annual Financial Statements or as set out in the Condensed Consolidated Interim Income Statement in the Interim Financial Statements.</p>
<b>Net interest margin</b>	Financial measure to express the margin between lending and borrowing. This is expressed as net interest income and net income from Islamic financing and investing products as a percentage of total average interest and profit-earning assets, with average interest and profit earning assets calculated as average daily balances in a given reporting period.	<p><b>Net interest income and net income from Islamic financing and investing products</b></p> <p>As set out in the Consolidated Income Statement in the Annual Financial Statements or as set out in the Condensed Consolidated Interim Income Statement in the Interim Financial Statements.</p> <p><b>Interest and profit earning assets</b></p> <p>Daily average balances of deposits and balances due from banks, investment securities, net less equity instruments and mutual funds, loans and advances to customers, net plus certificates of deposits with the Central Bank extracted from Group's internal accounting records for the respective reporting periods.</p>
<b>Yield</b>	Financial measure to express interest income and income from Islamic financing and investing products divided by average interest and profit-earning assets for a given period, with average interest and	<p><b>Interest income</b></p> <p>As set out in the Consolidated Income Statement in the Annual Financial Statements or as set out in the Condensed Consolidated Interim</p>



<b>APM</b>	<b>Definition/method of calculation</b>	<b>Reconciliations with Consolidated Financial Statements/accounting records</b>
	profit earning assets calculated as average daily balances in a given reporting period.	Income Statement in the Interim Financial Statements.
		<p><b>Income from Islamic financing and investing products</b></p> <p>As set out in the Consolidated Income Statement in the Annual Financial Statements or as set out in the Condensed Consolidated Interim Income Statement in the Interim Financial Statements.</p>
		<p><b>Interest and profit earning assets</b></p> <p>Same as above.</p>
<b>Cost of funds</b>	Financial measure to express the interest expense and distribution on Islamic deposits and profit paid to sukuk holders divided by the average interest-bearing and profit sharing liabilities, with average interest-bearing and profit-sharing liabilities calculated as average daily balances in a given reporting period.	<p><b>Interest expense</b></p> <p>As set out in the Consolidated Income Statement in the Annual Financial Statements or as set out in the Condensed Consolidated Interim Income Statement in the Interim Financial Statements.</p> <p><b>Distribution on Islamic deposits and profit paid to sukuk holders</b></p> <p>As set out in the Consolidated Income Statement in the Annual Financial Statements or as set out in the Condensed Consolidated Interim Income Statement in the Interim Financial Statements.</p>
		<p><b>Interest-bearing and profit-sharing liabilities</b></p> <p>Daily average balance of due to banks, deposits from customers, euro commercial paper and borrowings extracted from the Group's internal accounting records for the respective reporting periods.</p>
<b>Cost of risk</b>	Financial measure to express total impairment charge, net of recoveries, on loans and advances to customers, loans and advances to banks and investment securities as a percentage of average outstanding net loans and advances to customers (excluding loans and advances to customers at fair value through profit or loss), loans and advances to banks and investment securities (calculated as the sum of the opening and closing	<p><b>Impairment charge</b></p> <p>Refers to the same concept/figure as "<i>Impairment allowance</i>" as set out in Note 43.3 of the 2022 Financial Statements and Note 10 of the Interim Financial Statements, excluding the net (release)/charge on commitments and contingent liabilities.</p>

APM	Definition/method of calculation	Reconciliations with Consolidated Financial Statements/accounting records
	balance in a given reporting period divided by two).	<p><b>Loans and advances to banks, net</b></p> <p>Refers to the same concept/figure as "Loans and advances to banks" as set out in Note 7 to the 2022 Financial Statements and "Deposits and balances due from banks, net" as set out in Note 5 to the Interim Financial Statements less allowance for impairment on loans and advances to banks extracted from the Group's internal accounting records for the respective reporting periods.</p> <p><b>Loans and advances to customers, net</b></p> <p>Refers to the same concept/figure as "Loans and advances to customers at amortised cost, net" as set out in Note 11 to the 2022 Financial Statements and Note 9 to the Interim Financial Statements.</p> <p><b>Investment securities, net</b></p> <p>As set out in the Consolidated Statement of Financial Position in the 2022 Financial Statements and the Interim Financial Statements.</p>
<b>Non-performing loan (Stage 3 loans) ratio</b>	Financial measure to express loan asset quality. This is expressed as gross non-performing loans (Stage 3 loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks) as a percentage of gross loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks.	<p><b>Non-performing loans, gross</b></p> <p>Refers to the same concept/figure as gross non-performing/Stage 3 (limiting to the extent of loans and advances to banks and customers only) as set out in Note 7, Note 11 and Note 43.2 to the 2022 Financial Statements and Note 9 to the Interim Financial Statements. This also includes loans and advances to customers at fair value through profit or loss.</p> <p><b>Loans and advances to customers, gross</b></p> <p>Refers to the same concept/figure as "Gross loans and advances to customers at amortised cost and Loans and advances to customers at fair value through profit or loss" as set out in Note 11 to the 2022 Financial Statements or "Loans and advances to customers, net" as set out</p>

APM	Definition/method of calculation	Reconciliations with Consolidated Financial Statements/accounting records
		in Note 9to the Interim Financial Statements.
		<b>Loans and advances to banks, gross</b>
		Refers to the same concept/figure as " <i>Loans and advances to banks</i> " as set out in Note 7 to the 2022 Financial Statements or " <i>Deposits and balances due from banks, net</i> " as set out in Note 5 to the Interim Financial Statements
<b>Non-performing loans including POCI ratio</b>	Financial measure to express loan asset quality. This is expressed as non-performing loans (Stage 3 loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks) including POCI (Purchased or Originated Credit-Impaired) as a percentage of gross loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks.	<b>Gross non-performing loans including POCI</b>
		Refers to the same concept/figure as gross non-performing/Stage 3 and POCI (limiting to the extent of loans and advances to banks and customers only, extracted from the internal accounting records of the Group) as set out in Note 7, Note 11 and Note 43.2 to the 2022 Financial Statements and Note 9to the Interim Financial Statements. This also includes loans and advances to customers at fair value through profit or loss.
		<b>Loans and advances to customers, gross</b>
		Same as above.
		<b>Loans and advances to banks, gross</b>
		Same as above.
<b>Loan to deposit ratio</b>	The loan to deposit ratio is a simple liquidity measure and is expressed as net loans and advances to customers divided by customer deposits.	<b>Loans and advances to customers, net</b>
		Refers to the same concept/figure as " <i>Loans and advances to customers, net</i> " as set out in the Consolidated Statement of Financial Position in the Annual Financial Statements or the Interim Financial Statements.
		<b>Deposits from customers</b>
		Refers to the same concept/figure as " <i>Deposits from customers</i> " as set out in the Consolidated Statement of Financial Position in the Annual

APM	Definition/method of calculation	Reconciliations with Consolidated Financial Statements/accounting records
<b>Coverage ratio</b>	Financial measure which provides an indication of the Group's level of impairment allowances including fair valuation adjustments recognised (on Stage 1 and Stage 2 loans and advances to customers and banks) as a result of the Combination related to loans and advances to customers and banks as a percentage of gross non-performing (Stage 3) loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks.	<p>Financial Statements or the Interim Financial Statements.</p> <p><b>Impairment allowance</b></p> <p>Refers to the same concept/figure as Impairment allowance on "<i>Financial instruments carried at amortised cost</i>" (limiting it to the extent pertaining to loans and advances to banks and customers (excluding POCI)) as set out in Note 43.3 to the 2022 Financial Statements.</p> <p>Refers to the same concept/figure as "<i>Impairment allowances</i>" (limiting it to the extent pertaining to loans and advances to banks and customers (excluding POCI) extracted from the internal accounting records of the Group) as set out in Note 10 of the Interim Financial Statements.</p> <p><b>Fair value adjustments</b></p> <p>Refers to the fair value adjustments on Stage 1 and 2 loans and advances to banks and customers resulting from the Combination, extracted from the internal accounting records of the Group.</p> <p><b>Non-performing loans, gross</b></p> <p>Same as above.</p>
<b>Liquidity ratio</b>	Financial ratio which quantifies the Group's liquidity. This is expressed as total liquid assets (being assets held by the Group that can be converted into cash at relatively short notice) divided by total assets.	<p><b>Liquid assets</b></p> <p>Liquid assets include cash and balances with central banks, net as set out in Note 6, deposits and balances due from banks, net, (excluding loans and advances to banks, net) as set out in Note 7, financial assets at fair value through profit or loss (excluding structured funding arrangements) as set out in Note 8 and total quoted investment securities as set out in Note 10, in each case of the 2022 Financial Statements. Liquid assets include cash and balances with central banks, net as set out in Note 4, deposits and balances due from banks, net, (excluding loans and advances to banks, net) as set out in Note 5, financial assets at fair value through profit or loss (excluding structured funding arrangements) as</p>

APM	Definition/method of calculation	Reconciliations with Consolidated Financial Statements/accounting records
		set out in Note 6 and total quoted investment securities as set out in Note 8, in each case of the Interim Financial Statements.
		<b>Total assets</b>
		Refers to the same concept/figure as " <i>Total assets</i> " as set out in the Consolidated Statement of Financial Position in the Annual Financial Statements or the Interim Financial Statements.
<b>CET 1 ratio</b>	<p>Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank through the circular "Guidance re Capital Adequacy of Banks in the UAE" issued in December 2022.</p> <p>CET 1 ratio is defined as CET 1 capital divided by risk-weighted assets at a given date.</p> <p>Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.</p>	As set out in Note 50 to the 2022 Financial Statements and Note 31 to the Interim Financial Statements.
<b>Tier 1 ratio</b>	<p>Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank through the circular "Guidance re Capital Adequacy of Banks in the UAE" issued in December 2022.</p> <p>Tier 1 ratio is defined as Tier 1 capital divided by risk-weighted assets at a given date.</p> <p>Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.</p>	As set out in Note 50 to the 2022 Financial Statements and Note 31 to the Interim Financial Statements.
<b>Total capital adequacy ratio</b>	<p>Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank through the circular "Guidance re Capital Adequacy of Banks in the UAE" issued in December 2022.</p>	As set out in Note 50 to the 2022 Financial Statements and Note 31 to the Interim Financial Statements.

<b>APM</b>	<b>Definition/method of calculation</b>	<b>Reconciliations with Consolidated Financial Statements/accounting records</b>
	<p>Total capital adequacy ratio is defined as total regulatory capital divided by risk-weighted assets at a given date.</p> <p>Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.</p>	
<b>Liquidity coverage ratio</b>	<p>Liquidity coverage ratio is designed to measure a bank's ability to manage a sustained cash outflow of customer funds in an acute stress event over a 30-day period. It is calculated as the ratio of high-quality liquid assets and dividing this by a bank's projected total net cash outflows over the immediately following 30-day stressed period. It is determined by the Basel III standards and has been implemented in the UAE through Central Bank Circular No. 33/2015. Approved banks are required to comply with the requirements from 1 January 2016 in a phased manner.</p>	<p>This ratio has been derived from the Group's internal accounting records and is calculated in accordance with Basel III regulations and Central Bank guidelines.</p>
<b>Net Stable Funding Ratio (NSFR)</b>	<p>Net Stable Funding Ratio (NSFR) is a regulatory ratio that aims to ensure that the banks have stable funding profile in relation to the composition of their assets and off-balance sheet activities over a one year horizon. It is calculated as the ratio of Available Stable Funding divided by Required Stable Funding. It is determined by the Basel III standards and has been implemented in the UAE through Central Bank Circular No. 33/2015.</p>	<p>This ratio has been derived from the Group's internal accounting records and is calculated in accordance with Basel III regulations and Central Bank guidelines.</p>

## TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

*The following are the Terms and Conditions of the Capital Securities which will be incorporated by reference into the Global Certificate (as defined below) and endorsed on each Individual Certificate (if issued) in respect of the Capital Securities:*

Each of the U.S.\$750,000,000 Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") is issued by Abu Dhabi Commercial Bank PJSC in its capacity as issuer (the "**Issuer**") pursuant to the Deed of Covenant and the Agency Agreement (each as defined below).

Payments relating to the Capital Securities will be made pursuant to an agency agreement dated the Issue Date (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, Deutsche Bank AG, London Branch as fiscal agent (in such capacity, the "**Fiscal Agent**" and together with any further or other paying agents appointed from time to time in respect of the Capital Securities, the "**Paying Agents**"), Deutsche Bank Luxembourg S.A. as registrar (in such capacity, the "**Registrar**") and Deutsche Bank AG, London Branch as calculation agent (the "**Calculation Agent**", which expression includes any other calculation agent appointed from time to time in respect of the Capital Securities) and as transfer agent (in such capacity, the "**Transfer Agent**" and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Capital Securities, the "**Transfer Agents**"). The Paying Agents, the Calculation Agent and the Transfer Agents are together referred to in these terms and conditions (the "**Conditions**") as the "**Agents**". References to the Agents or any of them shall include their successors. The Capital Securities are constituted by a deed of covenant dated the Issue Date (as amended or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer.

Any reference to "**holders**" in relation to any Capital Securities shall mean the persons in whose name the Capital Securities are registered and shall, in relation to any Capital Securities represented by a Global Certificate, be construed as provided below.

Copies of the Agency Agreement and the Deed of Covenant are obtainable during normal business hours at the specified offices of the Agents. The holders of the Capital Securities are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Deed of Covenant. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement and the Deed of Covenant.

### 1. INTERPRETATION

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions, the following expressions have the following meanings:

"**Additional Amounts**" has the meaning given to it in Condition 12 (*Taxation*);

"**Additional Tier 1 Capital**" means capital qualifying as, and approved by the Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

"**Applicable Regulatory Capital Requirements**" means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Issuer, including transitional rules and waivers granted in respect of the foregoing;

"**Assets**" means the consolidated gross assets of the Issuer as shown in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Issuer, but adjusted for subsequent events in such manner as the Directors, the auditors of the Issuer or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Issuer) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

"**Authorised Denomination**" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"**Authorised Signatory**" means any person who is duly authorised by the Issuer to sign documents on its behalf and whose specimen signature has been provided to the Fiscal Agent;

**"Basel III Documents"** means the Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" on 13 January 2011;

**"Business Day"** means a day, other than a Saturday, Sunday or public holiday, on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Abu Dhabi, London and New York City;

**"Call Date"** means the First Call Date and any date thereafter up to and including the First Reset Date and any Interest Payment Date following the First Reset Date;

**"Capital Event"** is deemed to have occurred if the Issuer is notified in writing by the Regulator to the effect that the outstanding principal amount (or the amount that qualifies as regulatory capital, if some amount of the Capital Securities is held by the Issuer or whose purchase is funded by the Issuer) of the Capital Securities would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Additional Tier 1 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that the Issuer satisfies the Regulator that such non-qualification was not reasonably foreseeable at the time of issuance of the Capital Securities;

**"Capital Event Redemption Amount"** in relation to a Capital Security means: (a) in the case of a redemption date which occurs prior to the First Call Date, 101 per cent. of its Prevailing Principal Amount together with any Outstanding Payments; and (b) in the case of a redemption date which occurs on or after the First Call Date, 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

**"Capital Regulations"** means, at any time, the regulations, requirements, standards, guidelines and policies relating to the maintenance of capital and/or capital adequacy then in effect in the United Arab Emirates, including those of the Regulator;

**"Central Bank"** means the Central Bank of the United Arab Emirates or any successor thereto;

**"Clearstream, Luxembourg"** has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

**"Code"** has the meaning given to it in Condition 7.3 (*Payments – Payments Subject to Laws*);

**"Common Equity Tier 1 Capital"** means capital qualifying as, and approved by the Regulator as common equity tier 1 capital in accordance with the Capital Regulations;

**"Day-count Fraction"** means the actual number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Interest Period in which the relevant period falls (including the first such day but excluding the last));

**"Designated Account"** has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

**"Designated Bank"** has the meaning given to it in Condition 7.1 (*Payments – Payments in respect of Individual Certificates*);

**"Directors"** means the executive and non-executive directors of the Issuer who make up its board of directors;

**"Dispute"** has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

**"Distributable Items"** means the amount of the Issuer's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable



reserves, all as set out in the most recent audited or (as the case may be) auditor reviewed consolidated financial statements of the Issuer or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital instruments that do not constitute Common Equity Tier 1 Capital;

"**Dividend Stopper Date**" has the meaning given to it in Condition 6.3 (*Interest Cancellation – Dividend and Redemption Restrictions*);

"**Early Redemption Amount**" in relation to a Capital Security means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

"**Enforcement Event**" means:

- (a) **Non-payment**: the Issuer fails to pay an amount in the nature of principal or interest due and payable by it pursuant to the Conditions and the failure continues for a period of seven days in the case of principal and 14 days in the case of interest (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Event); or
- (b) **Insolvency**: a final determination is made by a court or other official body that the Issuer is insolvent or bankrupt or unable to pay its debts as they fall due; or
- (c) **Winding-up**: an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease, or through an official action of its board of directors threaten to cease, to carry on all or substantially all of its business or operations, in each case except: (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the holders of the Capital Securities; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (d) **Analogous Event**: any event occurs which under the laws of the United Arab Emirates has an analogous effect to any of the events referred to in paragraph (b) or paragraph (c) above;

"**Euroclear**" has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

"**Exchange Event**" has the meaning given to it in Condition 3.4 (*Transfers of Capital Securities and Exchange for Individual Certificates – Exchange for Individual Certificates*);

"**Existing Tier 1 Securities**" means: (i) the AED 4,000,000,000 Additional Tier 1 Capital Securities issued by the Issuer on 23 February 2009; and (ii) the AED 2,000,000,000 Additional Tier 1 Capital Securities issued by Union National Bank P.J.S.C. on 24 February 2009 and assumed by the Issuer pursuant to the merger between the Issuer and Union National Bank P.J.S.C.;

"**Extraordinary Resolution**" has the meaning given to it in the Agency Agreement;

"**First Call Date**" means 27 November 2028;

"**First Interest Payment Date**" means 27 May 2024;

"**First Reset Date**" means 27 May 2029;

"**Global Certificate**" means the global registered certificate;

"**H.15**" means the statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System and "**most recent H.15**" means the H.15 published closest in time but prior to the relevant U.S. Securities Determination Date. The H.15 may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

**"Individual Certificate"** means a registered certificate in definitive form;

**"Initial Interest Rate"** has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

**"Initial Period"** means the period (from and including) the Issue Date to (but excluding) the First Reset Date;

**"Interest Payment Amount"** means, subject to Condition 6 (*Interest Cancellation*) and Condition 7 (*Payments*), the interest payable on each Interest Payment Date;

**"Interest Payment Date"** means each of 27 May and 27 November in every year, commencing on the First Interest Payment Date;

**"Interest Period"** means, in the case of the first Interest Period, the period from (and including) the Issue Date to (but excluding) the First Interest Payment Date and, subsequently, the period from (and including) an Interest Payment Date to (but excluding) the succeeding Interest Payment Date;

**"Interest Rate"** means, in respect of the Initial Period, the Initial Interest Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 5.2 (*Interest – Interest Rate following the Initial Period*);

**"Issue Date"** means 27 November 2023;

**"Junior Obligations"** means all claims of the holders of Ordinary Shares, all payment obligations of the Issuer in respect of its Other Common Equity Tier 1 Instruments and any other payment obligations that rank or are expressed to rank junior to the Capital Securities;

**"LCIA"** means the London Court of International Arbitration;

**"Liabilities"** means the consolidated gross liabilities of the Issuer as shown in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors, the auditors of the Issuer or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of the Issuer) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

**"Margin"** means 3.524 per cent. per annum;

**"Non-Payment Event"** has the meaning given to it in Condition 6.1 (*Interest Cancellation – Non-Payment Event*);

**"Non-Viability Event"** means that the Regulator has notified the Issuer in writing that it has determined that the Issuer has, or will, become Non-Viable without:

- (a) a Write-down; or
- (b) a public injection of capital (or equivalent support);

**"Non-Viability Event Write-down Date"** shall be the date on which a Write-down will take place as specified in a relevant Non-Viability Notice, which date shall be as determined by the Regulator;

**"Non-Viability Notice"** has the meaning given to it in Condition 10.2 (*Write-down at the Point of Non-Viability – Non-Viability Notice*);

**"Non-Viable"** means: (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business; or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Regulator or in the Capital Regulations;

**"Obligations"** has the meaning given to it in Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*);

"**Ordinary Shares**" means ordinary shares of the Issuer;

"**Other Common Equity Tier 1 Instruments**" means securities issued by the Issuer that qualify as Common Equity Tier 1 Capital of the Issuer other than Ordinary Shares;

"**Outstanding Payments**" means, in relation to any amounts payable on redemption of the Capital Securities, an amount representing any accrued and unpaid interest for the Interest Period during which redemption occurs to the date of redemption;

"**Pari Passu Obligations**" means the Issuer's payment obligations (as issuer or guarantor, as applicable) under the Existing Tier 1 Securities and all other subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Obligations;

"**Payment Day**" has the meaning given to it in Condition 7.4 (*Payments – Payment Day*);

"**Prevailing Principal Amount**" means, in respect of a Capital Security, the initial principal amount of such Capital Security as reduced by any Write-down of such Capital Security (on one or more occasions) pursuant to Condition 10 (*Write-down at the Point of Non-Viability*);

"**Proceedings**" has the meaning given to it in Condition 18.4 (*Governing Law and Dispute Resolution – Effect of Exercise of Option to Litigate*);

"**Qualifying Tier 1 Instruments**" means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by the Issuer that:

- (a) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital;
- (b) have terms and conditions not materially less favourable to a holder of the Capital Securities than the terms and conditions of the Capital Securities (as reasonably determined by the Issuer (provided that in making this determination the Issuer is not required to take into account the tax treatment of the varied instrument in the hands of all or any holders of the Capital Securities, or any transfer or similar taxes that may apply on the acquisition of the new instrument), provided that a certification to such effect of two Authorised Signatories shall have been delivered to the Fiscal Agent prior to the variation of the terms of the Capital Securities);
- (c) continue to be direct or indirect obligations of the Issuer;
- (d) rank on a winding up at least *pari passu* with the Obligations;
- (e) have the same outstanding principal amount and interest payment dates as the Capital Securities and at least equal interest or distribution rate or rate of return as the Capital Securities;
- (f) (where the instruments are varied prior to the First Call Date) have a first call date no earlier than the First Call Date and otherwise have the same optional redemption dates as the Capital Securities (as originally issued); and

if, immediately prior to the variation of the terms of the Capital Securities in accordance with Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) (as applicable), (i) the Capital Securities were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (ii) the Capital Securities were listed or admitted to trading on a recognised stock exchange other than a Regulated Market, have been listed or admitted to trading on any internationally recognised stock exchange (including, without limitation, a Regulated Market), in each case, as selected by the Issuer and notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*), and which may include such technical changes as necessary to reflect the requirements of Additional Tier 1 Capital under the Capital Regulations then applicable to the Issuer (including, without limitation, such technical changes as may be required in the adoption and implementation of the Basel III Documents);

**"Record Date"** means, in the case of any Interest Payment Amount, the date falling on the 15<sup>th</sup> day before the relevant Interest Payment Date and, in the case of the payment of a Redemption Amount, the date falling two Payment Days before the date for payment of the relevant Redemption Amount (as the case may be);

**"Redemption Amount"** means the Early Redemption Amount, the Tax Redemption Amount or the Capital Event Redemption Amount (as the case may be);

**"Register"** has the meaning given to it in Condition 2.1 (*Form, Denomination and Title – Form and Denomination*);

**"Regulated Market"** means a regulated market for the purposes of Directive 2014/65/EU (as amended);

**"Regulator"** means the Central Bank or any successor entity having primary bank supervisory authority with respect to the Issuer in the United Arab Emirates;

**"Relevant Date"** has the meaning given to it in Condition 12 (*Taxation*);

**"Relevant Period"** has the meaning given to it in Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*);

**"Relevant Five-Year Reset Rate"** means: (a) the rate per annum (expressed as a decimal) determined on the relevant U.S. Securities Determination Date equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years and trading in the public securities markets; or (b) if there is no such published U.S. Treasury security with a maturity of five years and trading in the public securities markets, the rate determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market: (i) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (ii) the other maturing as close as possible to, but later than, the immediately following Reset Date, in each case as published in the most recent H.15. In respect of any Reset Period, if the Issuer cannot procure the determination of the Relevant Five-Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in paragraphs (a) and (b) above, then the Relevant Five-Year Reset Rate will be: (1) equal to the rate applicable to the immediately preceding Reset Period; or (2) in the case of the Reset Period commencing on the First Reset Date, 4.469 per cent.;

**"Reset Date"** means the First Reset Date and every fifth anniversary thereafter;

**"Reset Period"** means the period from and including the First Reset Date to but excluding the following Reset Date, and each successive period thereafter from and including such Reset Date to but excluding the next succeeding Reset Date;

**"Rules"** has the meaning given to it in Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*);

**"Senior Obligations"** means all unsubordinated payment obligations of the Issuer (including payment obligations to the Issuer's depositors in respect of their due claims) and all subordinated payment obligations (if any) of the Issuer except Junior Obligations or *Pari Passu* Obligations;

**"Solvency Conditions"** has the meaning given to it in Condition 4.3 (*Status and Subordination – Solvency Conditions*);

**"Solvent"** means that: (a) the Issuer is able to pay its debts as they fall due; and (b) the Issuer's Assets exceed its Liabilities;

**"Tax Event"** means on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay Additional Amounts (whether or not a Non-Payment Event has occurred), as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations (each, a **"Tax Law Change"**), which Tax Law Change

becomes effective on or after the Issue Date (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it), and provided that the Issuer satisfies the Regulator that such Tax Law Change was not reasonably foreseeable at the time of issuance of the Capital Securities;

"**Tax Jurisdiction**" has the meaning given to it in Condition 12 (*Taxation*);

"**Tax Law Change**" has the meaning given to it in the definition of "Tax Event";

"**Tax Redemption Amount**" in relation to a Capital Security, means 100 per cent. of its Prevailing Principal Amount together with any Outstanding Payments;

"**Taxes**" has the meaning given to it in Condition 12 (*Taxation*);

"**Tier 1 Capital**" means capital qualifying as, and approved by the Regulator as, tier 1 capital in accordance with the Capital Regulations;

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

"**U.S. Securities Determination Date**" means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply;

"**Write-down**" means:

- (a) the holders' rights under the Capital Securities shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount;
- (b) in the case of the Write-down Amount corresponding to the full Prevailing Principal Amount of the Capital Securities then outstanding, the Capital Securities shall be cancelled; and
- (c) all rights of any holder for payment of any amounts under or in respect of the Capital Securities (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event), in a proportion corresponding to the relevant Write-down Amount (and any corresponding Interest Payment Amounts), shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date,

and all references to "**Written-down**" shall be construed accordingly; and

"**Write-down Amount**" means, in relation to any Non-Viability Event Write-down Date, the amount as determined by the Regulator by which the aggregate Prevailing Principal Amount of the Capital Securities then outstanding is to be Written-down on a *pro rata* basis and shall be calculated per Capital Security by reference to the Prevailing Principal Amount of each Capital Security then outstanding which is to be Written-down.

All references in these Conditions to "**U.S. dollars**", "**U.S.\$**" and "**\$**" are to the lawful currency of the United States of America.

## 2. **FORM, DENOMINATION AND TITLE**

### 2.1 **Form and Denomination**

The Capital Securities are issued in registered form in nominal amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an "**Authorised Denomination**"). An Individual Certificate will be issued to each holder of the Capital Securities in respect of its registered holding of Capital Securities. Each Individual Certificate will be numbered serially with

an identifying number which will be recorded on the relevant Individual Certificate and in the register of holders of the Capital Securities (the "**Register**"). Upon issue, the Capital Securities will be represented by the Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are supplemented by certain provisions contained in the Global Certificate.

## 2.2 **Title**

The holder of any Capital Security will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the certificate issued in respect of it) and no person will be liable for so treating the holder.

For so long as any of the Capital Securities is represented by the Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Capital Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Capital Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by each of the Issuer and the Agents as the holder of such nominal amount of such Capital Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Capital Securities, for which purpose the registered holder of the Global Certificate shall be treated by each of the Issuer and any Agent as the holder of such nominal amount of such Capital Securities in accordance with and subject to the terms of the Global Certificate.

## 3. **TRANSFERS OF CAPITAL SECURITIES AND EXCHANGE FOR INDIVIDUAL CERTIFICATES**

### 3.1 **Transfers of Interests in the Global Certificate**

Capital Securities which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg (as the case may be).

### 3.2 **Transfer of Individual Certificates**

Subject to the conditions set forth in the Agency Agreement, Capital Securities represented by Individual Certificates may be transferred in whole or in part (in Authorised Denominations). In order to effect any such transfer: (a) the holder or holders must: (i) surrender the relevant Individual Certificate(s) for registration of the transfer of the Capital Security (or the relevant part of the Capital Security) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent; and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which commercial banks are open for business (including dealings in foreign currencies) in the cities where the specified office of the Registrar and (if applicable) the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Individual Certificate of a like aggregate nominal amount to the Capital Security (or the relevant part of the Capital Security) transferred. In the case of the transfer of part only of a Capital Security represented by an Individual Certificate, a new Individual Certificate in respect of the balance of

the Capital Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### 3.3 **Costs of Registration**

Holders of the Capital Securities will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

### 3.4 **Exchange for Individual Certificates**

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Certificates only upon the occurrence of an Exchange Event (as defined below). The Issuer will give notice to holders of the Capital Securities in accordance with Condition 15 (*Notices*) if an Exchange Event occurs as soon as practicable thereafter. For these purposes, an "Exchange Event" shall occur if: (a) an Enforcement Event has occurred; or (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of legal holiday) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Issuer is available.

In such circumstances, the Global Certificate shall be exchanged in full for Individual Certificates and the Issuer will, at the cost of the Issuer, cause sufficient Individual Certificates to be executed and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the holders of the Capital Securities.

### 3.5 **Closed Periods**

No holder of the Capital Securities may require the transfer of a Capital Security to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Capital Security.

### 3.6 **Other**

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as shall have been approved by the Issuer and the Fiscal Agent.

## 4. **STATUS AND SUBORDINATION**

### 4.1 **Status of the Capital Securities**

Each Capital Security will rank *pari passu*, without preference or priority, with all other Capital Securities.

### 4.2 **Subordination of the Capital Securities**

- (a) The payment obligations of the Issuer under the Capital Securities (the "**Obligations**") will: (i) constitute Additional Tier 1 Capital of the Issuer; (ii) constitute direct, unsecured, conditional (as described in Condition 4.2(b) below and Condition 4.3 (*Status and Subordination – Solvency Conditions*)) and subordinated obligations of the Issuer that rank *pari passu* and without preference or priority amongst themselves; (iii) rank subordinate and junior to all Senior Obligations (but not further or otherwise); (iv) rank *pari passu* with all *Pari Passu* Obligations; and (v) rank in priority only to all Junior Obligations.
- (b) Notwithstanding any other provisions in these Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Issuer has been issued by a court in the United Arab Emirates, all claims of the holders of the Capital Securities under the Capital Securities will be extinguished and

the Capital Securities will be cancelled without any further payment to be made by the Issuer under the Capital Securities.

- (c) Subject to applicable law, each holder of the Capital Securities unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Obligations. No collateral is or will be given for the Obligations and any collateral that may have been or may in the future be given in connection with other obligations of the Issuer shall not secure the Obligations.

#### 4.3 **Solvency Conditions**

Payments in respect of the Obligations by the Issuer are conditional upon the following conditions (together, the "**Solvency Conditions**"):

- (a) the Issuer being Solvent at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations;
- (b) the Issuer being capable of making payment of the relevant Obligations and any other payment required to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
- (c) the total share capital (including, without limitation, retained earnings) of the Issuer being greater than zero at all times from (and including) the first day of the relevant Interest Period (or the Issue Date in the case of the first Interest Period) to (and including) the time of payment of the relevant Obligations.

#### 4.4 **Other Issues**

So long as any of the Capital Securities remain outstanding, the Issuer will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or a consolidated basis) Additional Tier 1 Capital of the Issuer if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Obligations. This prohibition will not apply if at the same time or prior thereto these Conditions are amended to ensure that: (a) the holders obtain; and/or (b) the Obligations have, in each case, the benefit of such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

### 5. **INTEREST**

#### 5.1 **Initial Interest Rate and Interest Payment Dates**

Subject to Condition 6 (*Interest Cancellation*), the Capital Securities shall, during the Initial Period, bear interest at a rate of 8.00 per cent. per annum (the "**Initial Interest Rate**") on the Prevailing Principal Amount of the Capital Securities in accordance with the provisions of this Condition 5. The Interest Payment Amount payable on each Interest Payment Date during the Initial Period shall be U.S.\$40.00 per U.S.\$1,000 in principal amount of the Capital Securities.

Subject to Condition 6 (*Interest Cancellation*), interest shall be payable on the Capital Securities semi-annually in arrear on each Interest Payment Date, in each case as provided in this Condition 5. Interest is discretionary, will not be cumulative and any interest which is not paid will not accumulate or compound and holders of the Capital Securities will have no right to receive such interest at any time, even if interest is paid in the future.



If interest is required to be calculated in respect of a period of less than a full Interest Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of: (a) the applicable Interest Rate; (b) the Prevailing Principal Amount of the relevant Capital Security then outstanding; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

## 5.2 **Interest Rate following the Initial Period**

For the purpose of calculating payments of interest following the Initial Period, the Interest Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Five-Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent.

The Calculation Agent will, as soon as practicable upon determination of the Interest Rate which shall apply to the Reset Period commencing on the relevant Reset Date, cause the applicable Interest Rate and the corresponding Interest Payment Amount to be notified to each of the Paying Agents and the holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the second Business Day thereafter.

## 5.3 **Determinations of Calculation Agent Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions by the Calculation Agent given, expressed, made or obtained for the purposes of this Condition 5 shall (in the absence of manifest error) be binding on the other Agents and the holders of the Capital Securities and (in the absence of manifest error) no liability to the holders of the Capital Securities shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

## 6. **INTEREST CANCELLATION**

### 6.1 **Non-Payment Event**

Notwithstanding Condition 5.1 (*Interest – Initial Interest Rate and Interest Payment Dates*), subject to Condition 6.2 (*Interest Cancellation – Effect of Non-Payment Event*), if any of the following events occurs (each, a "**Non-Payment Event**"), Interest Payment Amounts shall not be paid on the corresponding Interest Payment Date:

- (a) the Interest Payment Amount payable, when aggregated with any distributions or amounts payable by the Issuer on any *Pari Passu* Obligations having the same date in respect of payment of such distributions or amounts as, or otherwise due and payable on, the date for payment of Interest Payment Amounts, exceeds, on the relevant date for payment of such Interest Payment Amount, the Distributable Items;
- (b) the Issuer is, on that Interest Payment Date, in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to breach of capital buffers imposed on the Issuer by the Regulator, as appropriate) or payment of the relevant Interest Payment Amount would cause it to be in breach thereof;
- (c) the Regulator having notified the Issuer that the Interest Payment Amount due on that Interest Payment Date should not be paid for any reason the Regulator may deem necessary;
- (d) the Solvency Conditions are not satisfied (or would no longer be satisfied if the relevant Interest Payment Amount was paid); or
- (e) the Issuer, in its sole discretion, has elected that Interest Payment Amounts shall not be paid to holders of the Capital Securities on such Interest Payment Date (other than in respect of any amounts due on any date on which the Capital Securities are to be redeemed in full, in respect of which this paragraph (e) does not apply), including, without limitation, if the Issuer incurs a net loss during the relevant Interest Period.

## 6.2 **Effect of Non-Payment Event**

If a Non-Payment Event occurs, then the Issuer shall give notice to the Fiscal Agent and the holders of the Capital Securities (in accordance with Condition 15 (*Notices*)) (which notice shall be revocable) providing details of the Non-Payment Event as soon as practicable (or, in the case of a Non-Payment Event pursuant to Condition 6.1(e) (*Interest Cancellation – Non-Payment Event*), no later than five Business Days prior to such event). However, any failure to provide such notice will not invalidate the cancellation of the relevant payment of the Interest Payment Amount. In the absence of notice of a Non-Payment Event having been given in accordance with this Condition 6.2, the fact of non-payment of an Interest Payment Amount on the relevant Interest Payment Date shall be evidence of the occurrence of a Non-Payment Event.

Holders of the Capital Securities shall have no claim in respect of any Interest Payment Amount not paid as a result of a Non-Payment Event (whether or not notice of such Non-Payment Event has been given in accordance with this Condition 6.2) and any non-payment of an Interest Payment Amount in such circumstances shall not constitute an Enforcement Event. The Issuer shall not make or shall not have any obligation to make any subsequent payment in respect of any such unpaid Interest Payment Amount.

## 6.3 **Dividend and Redemption Restrictions**

If any Interest Payment Amount is not paid as a consequence of a Non-Payment Event pursuant to Condition 6.1 (*Interest Cancellation – Non-Payment Event*), then, from the date of such Non-Payment Event (the "**Dividend Stopper Date**"), the Issuer will not, so long as any of the Capital Securities are outstanding:

- (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (b) declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, *pari passu* with or junior to the Obligations (excluding securities the terms of which do not at the relevant time enable the Issuer to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Issuer ranking, as to the right of repayment of capital, *pari passu* with or junior to the Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the Capital Regulations for Tier 1 Capital applicable from time to time,

in each case unless or until one Interest Payment Amount following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the holders of the Capital Securities).

## 7. **PAYMENTS**

### 7.1 **Payments in respect of Individual Certificates**

Subject as provided below, payments will be made by credit or transfer to an account maintained by the payee with, or, at the option of the payee, by a cheque drawn on, a bank in New York City.

Payments of principal in respect of each Capital Security will be made against presentation and surrender of the Individual Certificate at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business in the place of the Registrar's specified office on the Record Date. Notwithstanding the previous sentence, if: (a) a holder does not have a Designated Account; or (b) the principal amount of the Capital Securities held by a holder is less than U.S.\$200,000, payment will instead be made by a cheque in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means a bank in New York City.

Payments of interest in respect of each Capital Security will be made by a cheque in U.S. dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Capital Security appearing in the Register at the close of business in the place of the Registrar's specified office on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Capital Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Capital Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payments of interest due in respect of each Capital Security on redemption will be made in the same manner as payment of the principal amount of such Capital Security.

Holders of Capital Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Capital Security as a result of a cheque posted in accordance with this Condition 7.1 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Capital Securities.

## 7.2 **Payments in respect of the Global Certificate**

The holder of the Global Certificate shall be the only person entitled to receive payments in respect of Capital Securities represented by the Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Capital Securities represented by such Global Certificate must look solely to Euroclear or Clearstream, Luxembourg (as the case may be), for his share of each payment so made by the Issuer, or to the order of, the holder of such Global Certificate. Each payment made in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business.

## 7.3 **Payments Subject to Laws**

All payments are subject in all cases to: (a) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*); and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law in any jurisdiction implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the holders of the Capital Securities in respect of such payments.

#### 7.4 **Payment Day**

If the date for payment of any amount in respect of the Capital Securities is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 13 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and London.

#### 7.5 **Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Capital Securities shall be deemed to include, as applicable:

- (a) the Early Redemption Amount of the Capital Securities;
- (b) the Capital Event Redemption Amount of the Capital Securities; and
- (c) the Tax Redemption Amount of the Capital Securities.

Any reference in the Conditions to interest or Interest Payment Amounts in respect of the Capital Securities shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to interest under Condition 12 (*Taxation*).

#### 8. **AGENTS**

The names of the initial Agents are set out above and their initial specified offices are set out in the Agency Agreement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Fiscal Agent and a Registrar;
- (b) with effect from the U.S. Securities Determination Date prior to the First Reset Date, and so long as any Capital Securities remain outstanding thereafter, there will be a Calculation Agent;
- (c) so long as the Capital Securities are listed on any stock exchange or admitted to listing, trading and/or quotation by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (d) there will at all times be a Paying Agent and a Transfer Agent with a specified office in Europe.

Subject to the Agency Agreement, any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any holders of the Capital Securities. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## 9. REDEMPTION AND VARIATION

### 9.1 Redemption and Variation

#### (a) *No Fixed Redemption Date and Conditions for Redemption and Variation*

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 4 (*Status and Subordination*), Condition 10 (*Write-down at the Point of Non-Viability*) and Condition 11 (*Enforcement Events*) and without prejudice to the provisions of Condition 13 (*Prescription*)) only have the right to redeem the Capital Securities or vary the terms thereof upon satisfaction of and in accordance with the following provisions of this Condition 9.

The redemption of the Capital Securities or variation of the Conditions, in each case pursuant to this Condition 9, is subject to the following conditions (to the extent then required by the Regulator or the Capital Regulations):

- (i) the prior consent of the Regulator;
- (ii) the requirement that both at the time when the relevant notice of redemption or variation is given and immediately following such redemption or variation (as applicable), the Issuer is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements; and
- (iii) the Solvency Conditions being satisfied.

#### (b) *Issuer's Call Option*

Subject to Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (which notice shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities at the Early Redemption Amount (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

Redemption of the Capital Securities pursuant to this Condition 9.1(b) may only occur on a Call Date.

#### (c) *Redemption or Variation due to Taxation*

- (i) Subject to Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Tax Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*): (1) redeem all, but not some only, of the Capital Securities at the Tax Redemption Amount; or (2) vary the terms of the Capital Securities provided that they become or, as appropriate, remain, Qualifying Tier 1 Instruments and so that the relevant withholding or deduction otherwise arising from the relevant Tax Law Change is no longer required, in each case without any requirement for consent or approval of the holders of the Capital Securities.
- (ii) Redemption of the Capital Securities, or variation of the Conditions, in each case pursuant to this Condition 9.1 may occur on any date after the Issue Date (whether or not such date is an Interest Payment Date).
- (iii) At the same time as the publication of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(c), the Issuer shall give to the

Fiscal Agent: (1) a certificate signed by two Authorised Signatories of the Issuer stating that: (A) the relevant conditions set out in Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Tax Event has occurred; and (C) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments; and (2) an opinion of independent legal advisors of recognised standing to the effect that the Issuer has or will become obliged to pay Additional Amounts as a result of the Tax Event. Such certificate delivered in accordance with this Condition 9.1(c)(iii) shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out in (1)(A) to (C) above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

(d) ***Redemption or Variation for Capital Event***

- (i) Subject to Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*), upon the occurrence of a Capital Event, the Issuer may (acting in its sole discretion), by giving not less than 10 nor more than 15 days' prior written notice to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*): (1) redeem all, but not some only, of the Capital Securities at the Capital Event Redemption Amount; or (2) solely for the purpose of ensuring compliance with Applicable Regulatory Capital Requirements vary the terms of the Capital Securities provided that they become or, as appropriate, remain, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the holders of the Capital Securities.
- (ii) Redemption of the Capital Securities, or variation of the Conditions, pursuant to this Condition 9.1(d) may occur on any date after the Issue Date (whether or not an Interest Payment Date).
- (iii) At the same time as the delivery of any notice of redemption or variation (as the case may be) pursuant to this Condition 9.1(d), the Issuer shall give to the Fiscal Agent a certificate signed by two Authorised Signatories stating that: (1) the relevant conditions set out in Condition 9.1(a) (*Redemption and Variation – No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (2) a Capital Event has occurred; and (3) in the case of a variation only, the varied Capital Securities will be Qualifying Tier 1 Instruments and that the Regulator has confirmed that the varied Capital Securities will satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above. Upon expiry of such notice, the Issuer shall redeem or vary the terms of the Capital Securities (as the case may be) (provided such notice has not been revoked by the Issuer giving notice of such revocation to the Fiscal Agent and the Registrar, and to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) (prior to the redemption date specified in the initial notice)).

(e) ***Taxes upon Variation***

In the event of a variation in accordance with Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*), the Issuer will not be obliged to pay and will not pay any liability of any holder of the Capital Securities to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Capital Securities provided that (in the case of a Tax Event)

or so that (in the case of a Capital Event) they become or, as appropriate, remain, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such holder of the Capital Securities.

(f) ***No redemption in the case of a Non-Viability Notice being delivered***

The Issuer may not give a notice of redemption under Condition 9.1(b) (*Redemption and Variation – Issuer's Call Option*), Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) if a Non-Viability Notice has been given in respect of the Capital Securities. If a Non-Viability Notice is given after a notice of redemption has been given by the Issuer under this Condition 9.1 but before the relevant date fixed for redemption, such notice of redemption shall be deemed not to have been given and the Capital Securities shall not be redeemed.

9.2 **Purchase**

Subject to the Issuer (to the extent then required by the Regulator or the Capital Regulations): (a) obtaining the prior written consent of the Regulator; (b) being in compliance with the Applicable Regulatory Capital Requirements immediately following such purchase; and (c) being Solvent at the time of purchase, the Issuer or any of its subsidiaries may purchase the Capital Securities in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between the Issuer or the relevant subsidiary (as the case may be) and the relevant holders of Capital Securities. Upon any such purchase, the Issuer may (but shall not be obliged to) deliver such Capital Securities for cancellation.

9.3 **Cancellation**

All Capital Securities which are redeemed will forthwith be cancelled. All Capital Securities so cancelled and any Capital Securities purchased and cancelled pursuant to Condition 9.2 (*Redemption and Variation – Purchase*) cannot be reissued or resold.

10. **WRITE-DOWN AT THE POINT OF NON-VIABILITY**

10.1 **Non-Viability Event**

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 10.2 (*Write-down at the Point of Non-Viability – Non-Viability Notice*).

10.2 **Non-Viability Notice**

On the third Business Day following the date on which a Non-Viability Event occurs (or on such earlier date as determined by the Regulator), the Issuer will notify the Fiscal Agent, the Registrar and the holders of the Capital Securities thereof (in accordance with Condition 15 (*Notices*)) (such notice, a "**Non-Viability Notice**"). A Write-down will occur on the Non-Viability Event Write-down Date. In the case of a Write-down resulting in the reduction of the Prevailing Principal Amount of each Capital Security then outstanding to nil, with effect from the Non-Viability Event Write-down Date, the Capital Securities will be automatically cancelled and the holders shall not be entitled to any claim for any amount in connection with the Capital Securities.

11. **ENFORCEMENT EVENTS**

11.1 **Enforcement Event**

Upon the occurrence of an Enforcement Event, any holder of the Capital Securities may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Capital Security is due and payable, whereupon the same shall, subject to Condition 10 (*Write-down at the Point of Non-Viability*) and Condition 11.4 (*Enforcement Events – Restrictions*) become forthwith due and payable at its Early Redemption Amount, without presentation, demand, protest or other notice of any kind.

## 11.2 **Dissolution Remedies**

To the extent permitted by applicable law and by these Conditions, any holder of the Capital Securities may at its discretion: (a) institute any steps, actions or proceedings for the winding-up of the Issuer; and/or (b) prove in the winding-up of the Issuer; and/or (c) claim in the liquidation of the Issuer; and/or (d) take such other steps, actions or proceedings which, under the laws of the United Arab Emirates, have an analogous effect to the actions referred to in (a) to (c) above (in each case, without prejudice to Condition 4.2 (*Status and Subordination – Subordination of the Capital Securities*)), for such payment referred to in Condition 11.1 (*Enforcement Events – Enforcement Event*), but the institution of any such steps, actions or proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

Subject to Condition 11.3 (*Enforcement Events – Performance Obligations*), no remedy against the Issuer, other than the steps, actions or proceedings to enforce, prove or claim referred to in this Condition 11, and the proving or claiming in any dissolution/winding-up or liquidation of the Issuer, shall be available to the holders of the Capital Securities, whether for the recovering of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Capital Securities.

## 11.3 **Performance Obligations**

Without prejudice to the other provisions of this Condition 11, any holder of the Capital Securities may at its discretion institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under these Conditions, in each case, other than any payment obligation of the Issuer (including, without limitation, payment of any principal or satisfaction of any payments in respect of the Conditions, including any damages awarded for breach of any obligations). However, in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

## 11.4 **Restrictions**

All claims by any holder of the Capital Securities against the Issuer (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Issuer under the Capital Securities) shall be subject to, and shall be superseded by: (a) the provisions of Condition 10 (*Write-down at the Point of Non-Viability*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim; and (b) the provisions of Condition 4 (*Status and Subordination*), irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a bankruptcy order in respect of the Issuer occurs prior to or after the event which is the subject matter of the claim.

## 12. **TAXATION**

All payments of principal and interest in respect of the Capital Securities by the Issuer will be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Tax Jurisdiction ("**Taxes**") unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts in respect of Interest Payment Amounts (but not in respect of principal) as shall be necessary in order that the net amounts received by the holders of the Capital Securities after such withholding or deduction shall equal the respective Interest Payment Amount(s) which would otherwise have been receivable in respect of the Capital Securities (as the case may be), in the absence of such withholding or deduction ("**Additional Amounts**"); except that no such Additional Amounts shall be payable with respect to any Capital Security:

- (a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Capital Security by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Capital Security; or



- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such 30<sup>th</sup> day assuming that day to have been a Payment Day; or
- (c) presented for payment in a Tax Jurisdiction.

As used in these Conditions:

- (i) "**Tax Jurisdiction**" means the United Arab Emirates or the Emirate of Abu Dhabi or, in each case, any political sub division or any authority thereof or therein having power to tax; and
- (ii) the "**Relevant Date**" means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) that, upon further presentation of the Capital Security in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

Notwithstanding any other provision in these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Capital Securities for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

#### 13. **PRESCRIPTION**

Subject to applicable law, claims for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

#### 14. **REPLACEMENT OF INDIVIDUAL CERTIFICATES**

Should any Individual Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Individual Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Individual Certificate) and otherwise as the Issuer and the Registrar may require. Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.

#### 15. **NOTICES**

All notices to the holders of the Capital Securities will be valid if mailed to them at their respective addresses in the register of the holders of the Capital Securities maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Capital Securities are for the time being admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

For so long as all the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to the holders rather than by mailing as provided for in the paragraph above except that, so long as the Capital Securities are listed on any stock exchange and/or admitted to listing, trading and/or quotation by any other

relevant authority, notices shall also be published in accordance with the rules of such stock exchange or other relevant authority on which the Capital Securities are admitted to listing, trading and/or quotation. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Notices to be given by any holder of the Capital Securities shall be in writing and given by lodging the same, together (in the case of any Individual Certificate) with the relevant Individual Certificate(s), with the Registrar. Whilst any of the Capital Securities are represented by a Global Certificate, such notice may be given by any holder of a Capital Security to the Registrar through Euroclear and/or Clearstream, Luxembourg (as the case may be), in such manner as the Registrar, and Euroclear and/or Clearstream, Luxembourg (as the case may be) may approve for this purpose.

## 16. MEETINGS OF HOLDERS OF THE CAPITAL SECURITIES AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the holders of the Capital Securities to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities or any of the provisions of the Agency Agreement or the Deed of Covenant. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by holders of the Capital Securities holding not less than 10 per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in aggregate not less than 50 per cent. in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Capital Securities whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities (as specified in the Agency Agreement, and including (without limitation) modifying any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Securities, altering the currency of payment of the Capital Securities or modifying the provisions concerning the quorum required at any meeting of holders of the Capital Securities or the majority required to pass the Extraordinary Resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Capital Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the holders of the Capital Securities shall be binding on all the holders of the Capital Securities, whether or not they are present at the meeting, and whether or not they voted on the resolution.

The Agency Agreement provides that a written resolution signed by or on behalf of all the holders of Capital Securities shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of the Capital Securities duly convened and held. Such a written resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the holders of the Capital Securities. Such a written resolution will be binding on all holders of the Capital Securities whether or not they participated in such written resolution.

The Fiscal Agent and the Issuer may agree, without the consent of the holders of the Capital Securities, to:

- (a) any modification (except as mentioned above) of the Capital Securities, the Agency Agreement or the Deed of Covenant which is not prejudicial to the interests of the holders of the Capital Securities (as determined by the Issuer in its sole opinion); or
- (b) any modification of the Capital Securities, the Agency Agreement or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

In addition, the Fiscal Agent shall be obliged to agree to such modifications of the Capital Securities, the Agency Agreement or the Deed of Covenant as may be required in order to give effect to Condition 9.1(c) (*Redemption and Variation – Redemption or Variation due to Taxation*) or Condition 9.1(d) (*Redemption and Variation – Redemption or Variation for Capital Event*) in

connection with any variation of the Capital Securities upon the occurrence of a Tax Event or a Capital Event (as applicable).

Any such modification shall be binding on the holders of the Capital Securities and any such modification shall be notified to the holders of the Capital Securities in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **GOVERNING LAW AND DISPUTE RESOLUTION**

18.1 **Governing law**

The Agency Agreement, the Deed of Covenant and the Capital Securities, and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Capital Securities, are governed by, and shall be construed in accordance with, English law.

18.2 **Arbitration**

Subject to Condition 18.3 (*Governing Law and Dispute Resolution – Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Capital Securities (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute, claim, difference or controversy relating to any non-contractual obligations arising out of or in connection with the Capital Securities) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the LCIA Arbitration Rules (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 18.2. For these purposes:

- (a) the seat, or legal place of arbitration will be London, England;
- (b) the language of the arbitration shall be English; and
- (c) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA.

18.3 **Option to Litigate**

Notwithstanding Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*), any holder of the Capital Securities may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any holder of the Capital Securities gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18.4 (*Governing Law and Dispute Resolution – Effect of Exercise of Option to Litigate*) and, subject as provided below, any arbitration commenced under Condition 18.2 (*Governing Law and Dispute Resolution – Arbitration*) in respect of that Dispute will be terminated. Each person who

gives such notice and the recipient of that notice will bear its own costs in relation to such terminated arbitration.

If any notice to terminate the arbitration in accordance with this Condition 18.3 is given after service of any Request for Arbitration in respect of any Dispute, the holder of the Capital Securities must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

#### 18.4 **Effect of Exercise of Option to Litigate**

In the event that a notice pursuant to Condition 18.3 (*Governing Law and Dispute Resolution – Option to Litigate*) is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer irrevocably submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 18.4 is for the benefit of the holders of the Capital Securities only. As a result, and notwithstanding paragraph (a) above, any holder of the Capital Securities may take proceedings relating to a Dispute ("**Proceedings**") in any other court with jurisdiction. To the extent allowed by law, any holder of the Capital Securities may take concurrent Proceedings in any number of jurisdictions.

#### 18.5 **Service of Process**

The Issuer appoints Nexa Law, at its registered office at Nexa Law, WeWork, 10 York Road, London SE1 7ND as its agent for service of process and agrees that, in the event of Nexa Law ceasing so to act or ceasing to be registered in England, it will immediately (and in any event within 30 days of the event taking place) appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. Failure by a process agent to notify the person that appointed it of any process will not invalidate the relevant proceedings. Nothing herein shall affect the right to serve process in any other manner permitted by law.

#### 18.6 **Waiver of Immunity**

The Issuer hereby irrevocably and unconditionally waives, with respect to the Capital Securities, any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or Disputes.

## **USE OF PROCEEDS**

The proceeds from the issue of the Capital Securities will be U.S.\$750,000,000 and will be paid gross to the Issuer on the Issue Date. The proceeds will be applied by the Issuer for its general corporate purposes and to further strengthen its capital base.

The estimated commissions, fees and expenses to be paid by the Issuer in connection with the issue of the Capital Securities will be U.S.\$2,775,000.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial information of the Group as at and for the years ended 31 December 2022 and 2021 has been extracted from the 2022 Annual Financial Statements. The financial information as at and for the nine months ended 30 September 2023 and 2022 has been extracted from the Interim Financial Statements. The Annual Financial Statements and the Interim Financial Statements have been incorporated by reference in, and form a part of, this Prospectus. The following selected consolidated financial information should be read in conjunction with the information in the Annual Financial Statements and the Interim Financial Statements and in each case, the notes thereto.

### CONSOLIDATED INCOME STATEMENT DATA

	Nine months ended 30 September ( <i>unaudited</i> )		Year ended 31 December	
	2023	2022	2022	2021
	<i>(AED thousands)</i>			
Interest income.....	17,971,342	8,900,905	13,974,754	9,089,776
Interest expense.....	(10,568,648)	(3,067,852)	(5,799,745)	(2,011,812)
<b>Net interest income</b> .....	<b>7,402,694</b>	<b>5,833,053</b>	<b>8,175,009</b>	<b>7,077,964</b>
Income from Islamic financing and investing products.....	2,225,826	1,707,146	2,442,088	2,031,372
Distribution on Islamic deposits and profit paid to sukuk holders....	(667,316)	(264,367)	(423,342)	(245,806)
<b>Net income from Islamic financing and investing products</b> .....	<b>1,558,510</b>	<b>1,442,779</b>	<b>2,018,746</b>	<b>1,785,566</b>
<b>Total net interest income and income from Islamic financing and investing products</b> .....	<b>8,961,204</b>	<b>7,275,832</b>	<b>10,193,755</b>	<b>8,863,530</b>
Net fees and commission income.....	1,867,003	1,490,320	2,110,413	1,899,288
Net trading income.....	1,194,525	656,982	912,786	675,765
Net gains from investment properties.....	-	-	19,142	11,470
Other operating income.....	181,996	517,711	1,108,192	809,138
<b>Operating income</b> .....	<b>12,204,728</b>	<b>9,940,845</b>	<b>14,344,288</b>	<b>12,259,191</b>
Operating expenses.....	(3,961,924)	(3,585,915)	(4,888,303)	(4,257,240)
<b>Operating profit before impairment charge</b> .....	<b>8,242,804</b>	<b>6,354,930</b>	<b>9,455,985</b>	<b>8,001,951</b>
Impairment charge.....	(2,315,020)	(1,585,875)	(2,778,913)	(2,646,188)
<b>Profit after impairment charge</b> .....	<b>5,927,784</b>	<b>4,769,055</b>	<b>6,677,072</b>	<b>5,355,763</b>
Share in profit/(loss) of associates.....	(1,440)	(4,198)	(8,463)	7,663
<b>Profit before taxation</b> .....	<b>5,926,344</b>	<b>4,764,857</b>	<b>6,668,609</b>	<b>5,363,426</b>
Overseas income tax charge.....	(174,116)	(105,672)	(135,073)	(99,605)
<b>Profit for the period/year from continuing operations</b> .....	<b>5,752,228</b>	<b>4,659,185</b>	<b>6,533,536</b>	<b>5,263,821</b>
Loss from discontinued operations.....	-	(9,619)	(99,816)	(16,422)
<b>Profit for the period/year</b> .....	<b>5,752,228</b>	<b>4,649,566</b>	<b>6,433,720</b>	<b>5,247,399</b>

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	As at 30 September ( <i>unaudited</i> )	As at 31 December	
	2023	2022	2021
	<i>(AED thousands)</i>		
<b>Assets</b>			
Cash and balances with central banks, net.....	34,975,057	39,429,308	33,746,202
Deposits and balances due from banks, net.....	40,668,968	35,339,202	26,670,143
Financial assets at fair value through profit or loss.....	8,981,394	4,642,263	1,706,767
Derivative financial instruments.....	20,727,596	15,182,538	6,488,021
Investment securities.....	121,757,123	112,010,683	96,513,292
Loans and advances to customers, net.....	284,257,291	258,492,870	244,282,293
Investment in associates.....	251,086	252,525	262,609
Investment properties.....	1,687,582	1,691,890	1,674,954
Other assets, net.....	14,631,828	21,711,189	19,354,460
Property and equipment, net.....	1,885,350	1,937,503	2,064,270
Intangible assets, net.....	7,065,474	7,152,194	7,294,685
Assets held for sale.....	-	-	220,673
<b>Total assets</b> .....	<b>536,888,749</b>	<b>497,842,165</b>	<b>440,278,369</b>
<b>Liabilities</b>			
Due to banks.....	14,100,359	9,719,193	7,205,333
Derivative financial instruments.....	22,408,679	16,225,385	6,563,379
Deposits from customers.....	329,276,178	308,930,699	265,052,325
Euro commercial paper.....	8,624,589	5,994,279	6,199,157
Borrowings.....	78,285,864	69,875,733	72,499,337

	<b>As at 30 September (unaudited)</b>	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>	<b>2021</b>
		<i>(AED thousands)</i>	
Other liabilities.....	18,887,291	25,670,739	23,384,164
Liabilities related to assets held for sale .....	-	-	4,648
<b>Total liabilities</b> .....	<b>471,582,960</b>	<b>436,416,028</b>	<b>380,908,343</b>
<b>Equity</b>			
Share capital.....	7,319,947	6,957,379	6,957,379
Share premium .....	17,878,882	17,878,882	17,878,882
Other reserves .....	9,563,070	7,546,743	9,283,381
Retained earnings.....	24,537,866	23,035,375	19,240,158
Capital notes.....	6,000,000	6,000,000	6,000,000
<b>Equity attributable to equity holders of the Bank</b> .....	<b>65,299,765</b>	<b>61,418,379</b>	<b>59,359,800</b>
Non-controlling interests.....	6,024	7,758	10,226
<b>Total equity</b> .....	<b>65,305,789</b>	<b>61,426,137</b>	<b>59,370,026</b>
<b>Total liabilities and equity</b> .....	<b>536,888,749</b>	<b>497,842,165</b>	<b>440,278,369</b>

## SELECTED CONSOLIDATED CASH FLOW DATA

	<b>Nine months ended 30 September (unaudited)</b>		<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>
			<i>(AED thousands)</i>	
Net cash from operating activities .....	3,835,481	26,813,627	32,407,168	3,595,695
Net cash used in investing activities.....	(13,566,642)	(20,982,038)	(24,230,558)	(10,901,243)
Net cash from / (used in) financing activities .....	11,625,639	156,111	(307,696)	7,071,106
<b>Net (decrease) / increase in cash and cash equivalents</b> .....	<b>1,267,553</b>	<b>5,535,150</b>	<b>6,622,414</b>	<b>(236,151)</b>
Cash and cash equivalents at the beginning of the period/year.....	39,058,114	32,435,700	32,435,700	32,671,851
<b>Cash and cash equivalents at the end of the period / year</b> .....	<b>40,325,667</b>	<b>37,970,850</b>	<b>39,058,114</b>	<b>32,435,700</b>

## SELECTED RATIOS

	<b>As at and for the nine months ended 30 September (unaudited)</b>		<b>As at and for the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>
			%	
<b>Performance measures</b>				
Return on average equity <sup>(1)</sup> .....	12.49	11.25	11.50	9.75
Return on average tangible equity <sup>(2)</sup> .....	14.26	13.02	13.26	11.35
Cost to income ratio <sup>(3)</sup> .....	32.46	36.07	34.08	34.73
<b>Financial ratios</b>				
Net interest margin <sup>(4)</sup> .....	2.79	2.44	2.51	2.43
Yield <sup>(5)</sup> .....	6.29	3.56	4.05	3.05
Cost of funds <sup>(6)</sup> .....	3.71	1.22	1.68	0.69
Cost of risk <sup>(7)</sup> .....	0.73	0.60	0.76	0.77
<b>Asset quality ratios</b>				
Non-performing loan (Stage 3 loans) ratio <sup>(8)</sup> .....	4.82	5.46	5.25	5.41
Non-performing loan ratio including POCI <sup>(8a)</sup> .....	5.36	6.48	6.07	6.87
Loan to deposit ratio <sup>(9)</sup> .....	86.33	83.11	83.67	92.16
Coverage ratio <sup>(10)</sup> .....	91.38	87.05	93.04	93.39
Liquidity ratio <sup>(11)</sup> .....	31.97	32.30	32.36	30.99
<b>Basel III ratios</b>				
CET 1 ratio <sup>(14)(15)</sup> .....	13.46	12.60	12.96	12.94
Tier 1 ratio <sup>(12)(15)</sup> .....	15.04	14.29	14.64	14.75
Total capital adequacy ratio <sup>(13)(15)</sup> .....	16.16	15.44	15.77	15.97
Liquidity coverage ratio <sup>(16)</sup> .....	130.4	124.5	138.9	124.1
Net Stable Funding Ratio (NSFR) <sup>(17)</sup> .....	105.08	107.36	110.23	110.0

<sup>(1)</sup> Return on average equity is net adjusted profit for the period/year attributable to equity holders of the Bank after deducting coupon on Tier 1 capital notes divided by average shareholders' equity and average shareholders' equity calculated as the sum of the opening and closing balances of shareholders' equity (after deducting capital notes and non-controlling interest) in a given reporting period divided by two.

<sup>(2)</sup> Return on average tangible equity is net adjusted profit for the period/year attributable to equity holders of the Bank after deducting the coupon on Tier 1 capital notes divided by average shareholders' equity and average shareholders' equity calculated

- as the sum of the opening and closing balances of shareholders' equity (after deducting capital notes, non-controlling interest and net intangible assets) in a given reporting period divided by two.
- (3) Cost to income ratio is operating expenses divided by operating income.
  - (4) Net interest margin is net interest income and net income from Islamic financing and investing products as a percentage of total average interest and profit-earning assets, with average interest and profit-earning assets calculated as daily average balances of deposits and balances due from banks, net, investment securities, net less equity instruments and mutual funds, loans and advances to customers, net plus certificates of deposits with the Central Bank extracted from Group's internal accounting records for the respective reporting periods.
  - (5) Yield is interest income and income from Islamic financing and investing products divided by average interest and profit-earning assets for a given period, with average interest and profit-earning assets calculated as daily average balances of deposits and balances due from banks, net, investment securities, net less equity instruments and mutual funds, loans and advances to customers, net plus certificates of deposits with the Central Bank extracted from the Group's internal accounting records for the respective reporting periods.
  - (6) Cost of funds is interest expense and distribution on Islamic deposits and profit paid to sukuk holders divided by the average interest-bearing and profit-sharing liabilities, with average interest-bearing and profit-sharing liabilities calculated as daily average balances of due to banks, deposits from customers, euro commercial paper and borrowings extracted from the Group's internal accounting records for the respective reporting periods.
  - (7) Cost of risk is total impairment charge, net of recoveries, on loans and advances to customers, loans and advances to banks and investment securities as a percentage of average (calculated as the sum of the opening and closing balance in a given reporting period divided by two) outstanding net loans and advances to customers (excluding loans and advances to customers at fair value through profit or loss), loans and advances to banks and investment securities, net extracted from the Group's internal accounting records for respective reporting periods.
  - (8) Non-performing loan (Stage 3 loans) ratio is gross non-performing loans (Stage 3 loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks) as a percentage of gross loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks.
  - (8a) Non-performing loan ratio including POCI is gross non-performing loans (Stage 3 loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks) including POCI, as a percentage of gross loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks. "POCI" is defined as Purchased or originated credit-impaired financial assets.
  - (9) Loan to deposit ratio is net loans and advances to customers divided by customer deposits.
  - (10) The coverage ratio is expressed as the sum of impairment allowances on loans and advances to customers (excluding POCI), loans and advances to banks and fair value adjustments on Stage 1 and 2 loans and advances to customers and banks resulting from the Combination, as a percentage of gross non-performing loans (Stage 3 loans and advances to customers (including loans and advances to customers at fair value through profit or loss) and banks).
  - (11) Liquidity ratio is total liquid assets (being assets held by the Group that can be converted into cash at relatively short notice) divided by total assets. Liquid assets include cash and balances with central banks, net, deposits and balances due from banks, net, (excluding loans and advances to banks, net), financial assets at fair value through profit or loss (excluding structured funding arrangements) and quoted investment securities.
  - (12) Tier 1 ratio is defined as total Tier 1 capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.
  - (13) Total capital adequacy ratio is defined as total regulatory capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.
  - (14) CET 1 ratio is defined as CET 1 capital divided by risk-weighted assets at a given date. Risk-weighted assets are calculated under the standardised approach for Pillar 1 reporting and represent the sum of credit risk, market risk and operational risk-weighted assets.
  - (15) Calculated in accordance with the requirements of the Central Bank and the capital adequacy regulations issued by the Central Bank through the circular "Guidance re Capital Adequacy of Banks in the UAE" issued in December 2022.
  - (16) Liquidity coverage ratio (LCR) is designed to measure a bank's ability to manage a sustained cash outflow of customer funds in an acute stress event over a 30-day period. It is calculated as the ratio of HQLAs divided by a bank's projected total net cash outflows over the immediately following 30-day stressed period. It is determined by the Basel III standards and has been implemented in the UAE through Central Bank Circular No. 33/2015. Approved banks are required to comply with the requirements from 1 January 2016 in a phased manner.
  - (17) Net Stable Funding Ratio (NSFR) is a regulatory ratio that aims to ensure that the banks have stable funding profile in relation to the composition of their assets and off-balance sheet activities over a one year horizon. It is calculated as the ratio of Available Stable Funding divided by Required Stable Funding. It is determined by the Basel III standards and has been implemented in the UAE through Central Bank Circular No. 33/2015.



## DESCRIPTION OF THE GROUP

### OVERVIEW

The Group is one of the leading commercial banks in the UAE, offering a wide range of retail, commercial, investment and Islamic banking, brokerage and asset management products and services. According to the publicly available financial statements of the Group and its main domestic competitors, as at and for the year ended 31 December 2022 the Group was the third largest bank in the UAE market in terms of net loans and advances to customers AED 258.5 billion, the second largest bank in Abu Dhabi in terms of total assets (AED 497.8 billion) and the second largest bank in the Abu Dhabi market in terms of net loans and advances to customers AED 258.5 billion.

As at 31 December 2022, the Group had customer deposits of AED 308.9 billion and total assets were AED 497.8 billion, representing an estimated 14.3 per cent. of the UAE market in terms of total assets according to Central Bank statistical records for December 2022. As at 31 December 2022, the Group served more than 1.4 million retail customers and more than 40,700 active corporate customers, primarily in its domestic UAE market.

The Group has grown rapidly to become one of the largest full-service commercial banks in the UAE. Since its incorporation, the Government has at all times held, indirectly, a controlling interest of at least 60.2 per cent. of the share capital of the Group. As at the date of this Prospectus, the Government held 60.2 per cent. of the Group's share capital through Mubadala Investment Company's wholly-owned subsidiary, 114 LLC.

In March 2022, the Group's consumer banking group (the "**Legacy Consumer Banking Group**") was split into two business groups: (i) the Retail Banking Group (the "**RBG**"); and (ii) the Private Banking and Wealth Management Group (the "**PBG**"). These two groups became segments for financial reporting purposes from 1 April 2022. As at the date of this Prospectus, the Group has five principal areas of business, which also constitute segments for financial reporting purposes:

- **Retail Banking Group:** the RBG provides a broad range of conventional and *Shari'a*-compliant retail banking products and services to individual customers located primarily in the UAE. The products and services offered include current and deposit accounts, personal and vehicle loans/finances, mortgage lending/financing, brokerage, credit and other card services, third-party insurance and investment products, which include a range of *Shari'a*-compliant Islamic products and services provided through ADCB Islamic Banking and AHB. For the year ended 31 December 2022, AED 924.1 million or 14.4 per cent. of the Group's net profit for the year was attributable to the RBG.
- **Private Banking and Wealth Management Group:** the PBG offers a bespoke and highly personalised, end-to-end banking service for its client base. A dedicated relationship manager manages all of a particular client's banking requirements. This includes current accounts and savings accounts, as well as an innovative investment service offering and wealth planning capabilities. The group has investment capabilities across all major asset classes and markets, through its open architecture investment platform. This covers discretionary asset management, investment advisory, product structuring and client investment execution requirements, as well as a local brokerage service. The group also provides a personalised and bespoke lending offering to meet its clients' often diverse and specialised borrowing requirements. A wealth of lending expertise ensures that all borrowing requirements are managed within the group in an efficient and seamless manner, with a specific expertise and specialism for all UAE real estate requirements. For the year ended 31 December 2022, AED 411.6 million or 6.4 per cent. of the Group's net profit for the year was attributable to the PBG.
- **Corporate & Investment Banking Group:** the Corporate & Investment Banking Group (the "**CIBG**") provides a broad range of corporate & investment banking products and services to large strategic clients (including government or government related entities and regional blue chip corporates), financial institutions, mid-corporates and local branches of multinational corporations and SMEs. The products and services offered include corporate lending, cash management, trade finance, Islamic finance, debt and equity securities underwriting and distribution, corporate advisory and structuring services. The corporate & investment banking group also oversees and monitors some of the Bank's international relationships. For the year ended 31 December 2022, a

net profit of AED 1,793.6 million or 27.9 per cent. of the Group's net profit for the year was attributable to the CIBG;

- **Treasury & Investments Group:** the treasury & investments group provides commercial and proprietary treasury operations offering a range of treasury services on a conventional and Islamic basis and manages the Group's investment portfolio. For the year ended 31 December 2022, AED 3,158.8 million or 49.1 per cent. of the Group's net profit for the year was attributable to the treasury & investments group; and
- **Property Management:** the property management division comprises the real estate management and engineering service operations of the Group's subsidiaries, Abu Dhabi Commercial Properties ("ADCP") and Abu Dhabi Commercial Engineering Services ("ADCES"), in addition to certain real estate assets in Abu Dhabi owned by the Group (see "– Property Management" below). For the year ended 31 December 2022, AED 145.5 million or 2.3 per cent. of the Group's net profit for the year was attributable to the property management group. On 8 November 2023, the Issuer announced that it had received a binding offer for a majority stake acquisition in ADCP from Nine Yards Plus Holding, an EIH Ethmar International Holding PJSC subsidiary, acting as its main real estate arm (see "– Property Management" below for more information).

As at 31 December 2022, the Group had 121 branches including two service centres and four uBank centres. In addition, as at 31 December 2022, the Group had 521 automated teller machines ("ATMs") in the UAE, with the majority in Abu Dhabi and Dubai and 154 ATMs in Egypt. The Group's 121 branches consist of: 50 ADCB branches, four uBank centres, 13 AHB branches, two service centres in the UAE; 49 ADCB Egypt ("ADCB-E") branches in Egypt; and three branches in Kazakhstan. The Group also offers services to individuals and corporate customers through its internet banking, phone and SMS banking systems, the ADCB mobile application and through one of the largest point of sale networks in the UAE. In addition, the Group provides a range of *Shari'a*-compliant Islamic products and services under its "ADCB Islamic Banking" brand and through AHB.

The Issuer is the parent company of the Group and holds interests in a number of subsidiaries, further information in respect of which is set out in Note 49 (*Subsidiaries*) to the 2022 Financial Statements.

## STRENGTHS

The Group believes that its businesses have the following strengths:

### Supportive Principal Shareholder

As at the date of this Prospectus, the Government owns 60.2 per cent. of the issued and outstanding ordinary shares of the Group through Mubadala Investment Company's wholly-owned subsidiary, 114 LLC. The Government was instrumental in the founding of the Group through a three-way merger of local Abu Dhabi banks in 1985, and it has continued to support the Group since that date. In particular, many Government-controlled entities regularly engage the Group in new business opportunities and have remained long standing clients of the Group. Furthermore, in common with other regional governments, the Government provided financial support to its local banks, including the Group, during the 2008 global financial crisis which helped the Group to maintain liquidity and achieve a high capital adequacy ratio, well above the Central Bank guidelines.

According to the Statistics Centre and based on mid-year estimates, Abu Dhabi's nominal GDP per capita was approximately U.S.\$95,560 in 2019, which makes it one of the highest in the Gulf region. The Government has a long-term sovereign credit rating of AA (with a stable outlook) and short-term credit rating of A-1+ (with a stable outlook) from Standard & Poor's. The financial strength of the Emirate of Abu Dhabi flows into the Group through its Government majority shareholding, which is the largest of any bank in the UAE. In addition to this, the sticky nature of the government deposits held by the Group provide it a competitive advantage over its peers which lack such support.

The majority ownership of the Group and financial and other support provided by the Government has helped to stabilise the Group's performance in turbulent economic periods and to enhance customer and market confidence in the Group. Although there can be no assurance that the Government will continue to support the Group, management believes that the Group's relationship with the Government is unlikely to change in the foreseeable future. See "*Risk Factors – Factors that may affect the Group's ability to fulfil its*

*obligations in respect of the Capital Securities issued – Risks relating to the UAE and MENA – The Capital Securities will not be guaranteed by the Government".*

### **Solid Capital Base and Liquidity Profile**

As at 30 September 2023, the Group had a total capital adequacy ratio of 16.16 per cent., consisting of a Tier 1 ratio of 15.04 per cent. and a Tier 2 ratio of 1.12 per cent. (compared to a total capital adequacy ratio of 15.77 per cent. as at 31 December 2022, consisting of a Tier 1 ratio of 14.64 per cent. and a Tier 2 ratio of 1.13 per cent.), calculated in each case in accordance with Central Bank guidelines. Pursuant to the February 2017 Regulations, the Group has been required by the Central Bank to maintain a minimum total capital adequacy ratio of 13.5 per cent. since 1 January 2019. Included within this Central Bank prescribed minimum total capital adequacy ratio, the Group, as a D-SIB, has been required to maintain a Common Equity Tier 1 buffer of 0.50 per cent. with effect from 1 January 2019. As at 30 September 2023, the Group had cash and cash equivalents of AED 40.3 billion (AED 39.1 billion as at 31 December 2022 and AED 32.4 billion as at 31 December 2021).

The Group is fully compliant with Central Bank's Regulations regarding liquidity at banks. The Group has maintained a strong liquidity position with an LCR ratio of 130.38 per cent. as at 30 September 2023, 138.9 per cent. as at 31 December 2022 and 124.1 per cent. as at 31 December 2021, compared to a minimum ratio of 100 per cent. prescribed by the Central Bank.

As at 30 September 2023, the Group's liquidity ratio was 31.97 per cent., as compared to 32.36 per cent. as at 31 December 2022 and 30.99 per cent. as at 31 December 2021. As part of its LCR reporting to the Central Bank, the Group is required to maintain a portfolio of HQLAs which is sufficient to survive a significant stress scenario, lasting for a period of up to 30 days. As at 30 September 2023, the Group held a portfolio of HQLAs valued at AED 100.9 billion as compared to AED 102.7 billion as at 31 December 2022. The Group believes that its maintenance of an LCR ratio in excess of Central Bank requirements will assist it in absorbing any unanticipated systemic shocks to the UAE or regional economies or banking sectors (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's liquidity – The Group's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*", "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Regulatory risks relating to the Group's business – The Group is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on the Group's business, results of operations and financial condition*" in the "*Risk Factors*" section above).

### **Strong Domestic Franchise with a Well-known and Trusted Brand**

In the UAE, the Group is one of the leading commercial banks with a broad portfolio of consumer, corporate and institutional wholesale products, an extensive distribution network and well-established relationships with its client base. With more than 1.4 million retail customers and over 40,700 active corporate and institutional customers, the Group has one of the largest commercial banking customer bases in Abu Dhabi and the UAE and maintains one of the largest domestic banking distribution networks. This distribution network offers significant opportunities to attract additional clients and expand the Group's range of products and services to existing clients. As at 31 December 2022, the Group had 50 ADCB branches, four uBank centres, 13 AHB branches and two service centres in the UAE; 49 ADCB-E branches in Egypt; and three branches in Kazakhstan, as well as 521 ATMs throughout the UAE and 154 ATMs in Egypt, with a suite of alternative distribution channels, including internet banking, mobile banking channels and SMS alerts. Through ADCB Islamic Banking and the Group's AHB branch network and digital services, the Group is able to provide *Shari'a*-compliant products and services to customers through a dedicated Islamic brand. The Group has also set up contact centres to assist customers and to address customer queries as a part of its culture of service excellence with the aim of providing seamless service to its customers. As at 31 December 2022, the Group had total customer deposits of AED 308.9 billion, which represented an estimated market share of 13.4 per cent. of total UAE customer deposits and a loans and advances to customers portfolio (net of impairment allowances) of AED 258.5 billion which represented an estimated 14.7 per cent. of the total loans and advances, net of impairment allowances of all UAE banks, according to the UAE Monthly Banking Indicators published by the Central Bank (*source*: Central Bank Banking Indicators December 2022).

Management believes that the Group's strong position in consumer and corporate & investment banking enables the Group to benefit from economies of scale and provides a strong platform for sustained profitability in the UAE banking market. In addition, management believes that the Group's market position and strong brand recognition throughout the UAE reflect the Group's focus on high-quality customer service, creation of innovative products and services, its established track record in both consumer and corporate & investment banking, its targeted marketing to consumer, SME, large corporate and strategic client groups and its involvement in the UAE's most prominent infrastructure and other development projects.

### **Experienced Executive Management Team with Proven Track Record in the Banking Industry**

The Group's strategy (see "*Strategy*" below) is supported by the executive management team's broad expertise in the region, proven record for implementing industry leading initiatives, and by its focus on best practices and customer service. The Group's executive management team has extensive experience in the financial services sector in the UAE and internationally (see "*Management – Board of Directors – Executive Management*"). The heads of the Group's corporate & investment banking, retail, private, treasury and investment, finance and risk groups have extensive experience in the finance and banking sector, from global institutions such as Citibank, Standard Chartered Bank, Rabobank and the Australia and New Zealand Banking Group Limited.

### **Expertise in Designing Banking Products to Meet Customers' Needs**

The Group currently offers a range of banking products and services to its clients and has the ability to tailor each product to fit the banking needs of individual clients, especially its strategic, large corporate and HNWI clients. The Group's corporate & investment banking group provides customised cash management, trade finance (including structured trade finance) and investment banking solutions to its strategic, large corporate and SME clients. The Group also offers individualised banking services for HNWIs. Since 2005, the Group has focused on affluent retail clients and HNWI clients through its Privilege Club, Excellency, ADCB Private and other programmes. The Group also offers "TouchPoints", a rewards programme whereby customers earn points redeemable for goods and services for virtually all transactions carried out with the Group.

The Issuer believes that the availability of custom-tailored products and services helps to market the Group's other products and services effectively and to differentiate the Group's products from those of its competitors.

## **STRATEGY**

The Group is in the middle of its current five-year strategy, which was introduced in 2021, after taking into account the multitude of changes that are impacting the banking environment. These changes range from rising interest rates, rising operating costs, increasing regulation, the need for more capital and liquidity, as well as the retention and attraction of talent.

The key objective for the Group is to create superior benefits for its shareholders in the long-term through sustained profitable market share growth. This strategy is built on the following pillars:

- **Growth:** a key pillar in the Group's strategy is to grow profitably in segments of choice through a multi-dimensional approach. The strategy envisages significant growth in lending, both from the existing portfolio and the acquisition of new customers. The Group expects to achieve this by: (i) tapping into new segments with high growth potential; (ii) upgrading products and propositions; and (iii) deepening presence in non-oil sectors. This is to be sustained by an even stronger growth in current and savings deposits by offering enhanced cash management solutions and enhanced digital propositions. This strategy will also lead to an increased focus on non-interest income across the Group. The Group will also seek to leverage strong growth from its AHB and ADCB-E subsidiaries;
- **Efficiency:** reinventing the Group's operating model to achieve efficiency-related cost savings through optimising distribution, re-designing processes, right sizing/delaying the organisation, and further optimising procurement. It is expected that these efficiency measures will continue to deliver sustainable benefits to further rationalise the Group's operating cost base;

- **Risk Appetite & Demeanour:** calibration of risk appetite and demeanour so that it is complimentary to the envisaged asset growth and is expected to play the dual role of enabler as well as ensuring an appropriate risk-reward ratio. Management hopes to realise this strategy through setting its target risk adjusted return on risk, data modelling and predictive risk analytics and ensuring profitable growth and the management of the cost of risk;
- **Funding & Liquidity:** one of the Group's key strategic levers is to ensure adequate funding and liquidity and develop a sustainable cost of funds advantage, through the sustained growth of the Group's current and savings portfolio. It is expected that this will not only lend stability to the Group, but also lower the cost of funds in the long term. At the same time, the Group seeks to optimise the cost of liquidity through various measures such as minimising the net cash flows and optimising the yields on high-quality liquid assets;
- **Capital:** the Group seeks to efficiently manage capital by setting a target return on risk adjusted capital on all incremental lending, while maintaining adequate capital buffers to ensure growth and managing contingencies;
- **Digitisation, Artificial Intelligence & Advanced Analytics:** the digitisation of many of the Group's core business processes is a key strategic focus for the Group. In the context of ever-evolving and rapidly changing customer demands and industry boundaries, in which traditional and non-financial competitors are embracing digital solutions to offer banking services through non-traditional distribution channels, the Group's digital and data analytics strategy aims to improve return on equity through a combination of customer acquisition, reductions in processing costs and reductions in impairment charges. A key strategic initiative is to implement a comprehensive digital and advanced analytics roadmap across the Issuer focusing on customer acquisition, engagement and experience. See "*Digitisation*" below for further details on the Group's digitisation initiatives;
- **Setting up and empowering its executive team and organisation:** as a key enabler of its core strategic pillars, the Group recognises the contribution of its staff members to its long-term profitability and success. To this end, the Group seeks to retain its key staff members, to periodically review their compensation and incentives and reward them in accordance with their performance. The Group also remains focused on attracting talent to key new roles within the organisation through a competitive compensation structure and investment in its people. The Group has implemented a new variable pay scheme to ensure full alignment between the Group's strategic targets and top management incentives;
- **Effective governance:** a robust and dedicated governance structure has been established to support the execution of the Group's strategy and the monitoring of its performance against strategy targets. The structure comprises a dedicated cross-functional team including the executive management. This is supplemented with regular progress updates to the Board of Directors; and
- **Differentiate through Environmental, Social and Governance ("ESG"):** as part of the Group's approach to building a sustainable business that serves the interests of all stakeholders, the Group has integrated a comprehensive ESG framework into its five-year business strategy (see "*Group Sustainability Policy*" below). In August 2021, the Issuer received an upgrade in its MSCI ESG rating to 'AA' from 'A', partly driven by the Issuer's digital initiatives to support small businesses as well as robust customer data protection and information security practices. By maintaining an ESG lens in all of its value creation activities, the Group hopes to continue to support the UAE's ambitions for sustainability, contributing to the UAE Net-Zero by 2050 Strategic Initiative announced in November 2021.

In striving to implement its strategic pillars, the Group views innovation and agility as integral characteristics of its corporate culture, made essential by short product life cycles, evolving customer demands and the prevailing competitive landscape. The Group aims to foster the ability to create custom-quality products in short production runs, on-demand, at low cost, with high reliability, and with a low cycle time. The Group's staff in dedicated performance units currently receive training on agile working practices and "smart" risk taking, with these practices intended to be extended to the wider Group over time.

## HISTORY

The Issuer is a public joint stock company and was incorporated on 2 May 1985 following the merger of Khalij Commercial Bank, Emirates Commercial Bank and Federal Commercial Bank. This merger was effected pursuant to a resolution of the Abu Dhabi Executive Council. The Issuer is registered in accordance with the Federal Law No. 2 of 2015 (as amended) (the "**Commercial Companies Law**") under registration number 4 and is licensed to operate as a commercial bank in the UAE by the Central Bank. The Issuer's telephone number is +971 (0)2 621 0090.

On 29 January 2019, the board of directors of each of the Issuer and UNB voted unanimously to recommend the Combination to their respective shareholders. On 21 March 2019, the shareholders of both the Issuer and UNB approved the Combination. The Merger was pursuant to Article 283(1) of the Commercial Companies Law and an agreement dated 29 January 2019 between the Issuer and UNB setting out the terms and conditions of, and the parties' rights and obligations in connection with, the implementation of the Merger.

Upon the Merger becoming effective, UNB was dissolved pursuant to the provisions of Article 291 of the Commercial Companies Law. Immediately thereafter, the Issuer acquired the entire issued share capital of AHB from its sole shareholder, the Abu Dhabi Investment Council, for consideration of AED 1.0 billion by issuing unsecured mandatory convertible bonds convertible into 117,647,058 post-merger the Issuer shares. AHB is now a wholly-owned subsidiary of the Group accounted for in the 2022 Financial Statements and the Interim Financial Statements and operates as an Islamic bank within the Group.

As at 30 September 2023, the Issuer's issued share capital was AED 7,319.9 million (31 December 2022: AED 6,957.4 million)

## RETAIL BANKING GROUP

The RBG provides a comprehensive range of conventional and *Shari'a*-compliant products and services across all segments of retail clients. Focused on catering for client needs, these products and services include deposit and transactional accounts, personal and auto loans/finances, mortgages, credit cards, third-party insurance and investment products. The service delivery is supported by a strong, multi-channel infrastructure. As at 31 December 2022, the Group's infrastructure in the UAE included 50 branches and four uBank centres, 521 ATMs, 196 of which have cash and cheque deposit facilities, two customer contact centres (open 24 hours and 7 days a week), online banking services and mobile banking applications. In Egypt, the Group's infrastructure included 49 branches and 154 ATMs as at 31 December 2022.

The Issuer was the first bank in the UAE to launch a bank-wide loyalty programme, "TouchPoints", that rewards customers for their interaction with ADCB. Customers earn loyalty points for subscription to products and services, maintenance and continuity of their relationship, transacting with ADCB or utilising a product or service offered by ADCB. These loyalty points can be redeemed by the customer for airline miles and at point of sales of various leading retail merchants (including electronics, jewellery, supermarkets and lifestyle benefits).

For the year ended 31 December 2022, AED 924.2 million or 14.4 per cent. of the Group's net profit for the year was attributable to the RBG. Operating profit before impairment allowances attributable to the RBG for the year ended 31 December 2022 decreased to AED 1.4 billion from AED 1.6 billion for the year ended 31 December 2021. Impairment allowances attributable to the RBG for the year ended 31 December 2022 decreased to AED 447.3 million from AED 758 million for the year ended 31 December 2021. The RBG contributed 29.3 per cent. (AED 4.2 billion) to the Group's total operating income of AED 14.3 billion for the year ended 31 December 2022 (as compared to 33.7 per cent. (AED 4.1 billion) to the Group's total operating income of AED 12.26 billion for the year ended 31 December 2021).

### *Retail banking business*

The RBG offers five sets of propositions, namely "SimplyLife", "Aspire", "Privilege Club" and "Excellency", which cater to the "lower mass", "mass", "emerging affluent" and "mass affluent" customer segments, respectively, and "Emirati", which caters exclusively to UAE Nationals.

The "mass" customer segment includes customers who credit AED 5,000 or more in monthly salary transfers to their account with the Group or those who maintain a 'total relationship balance' with the Group of AED 20,000 or more. The "emerging affluent" customer segment caters for customers with a 'total

relationship balance' with the Group of AED 200,000 or more (or monthly salary credits of AED 20,000 or more or a mortgage relationship of AED 1.0 million and above) and the "mass affluent" customer segment includes customers maintaining a 'total relationship balance' with the Group of AED 500,000 or more.

The SimplyLife business is being transformed, moving from a conventional product service to a digitally-driven mobile offering, with a new robust platform offering, various lending services including micro credit. "Aspire" consists of basic transaction accounts offering deposits, loans and credit cards along with access to online and mobile banking services. The "Privilege Club" and "Emirati" propositions, in addition to the services and products offered under "Aspire", provide access to a dedicated customer service officer and banking area, dedicated telephone number, wealth management products and lifestyle benefits. "Excellency" provides access to relationship managers (each of whom has been certified by the Chartered Institute for Securities and Investment), dedicated "Excellency" centres, a dedicated telephone number, wealth management solutions (including an investment platform offering a broad array of third party funds and strategies) and special lifestyle benefits. As at 31 December 2022, the RBG had over 1,000,000 "Aspire" clients, over 71,000 "Privilege Club" clients, over 95,000 "Emirati" clients, over 15,000 "Excellency" clients and over 160,000 "SimplyLife" clients. The retail clients of the Group's Islamic banking business (see "*Islamic Banking Business*" below) are included within the "Aspire", "Privilege Club", "Excellency", "Emirati" and "SimplyLife" client numbers provided above.

The Group's merchant acquiring services business involves the installation of point of sale machines at a number of participating merchants' premises. Each credit or debit card transaction that a merchant undertakes with a customer on the point of sale machine is then processed by the Group, on behalf of the merchant, for which the Group earns a processing fee. The Group offers merchant acquiring services through various channels including point of sale, mobile point of sale and e-commerce. The Group has acquired more than 10,000 merchants as at 31 December 2022.

## **Products and Services**

The principal products and services offered by RBG include:

- *Deposit and transactional accounts:* RBG customers are offered interest and non-interest bearing current accounts (which can be opened in a variety of currencies), savings accounts, term deposit accounts and call accounts of different maturities and yields. Customers can access their accounts by using their debit cards at the Group's network of ATMs, as well as through SMS, telephone, WhatsApp, internet and mobile banking channels;
- *Personal loans:* RBG customers are offered personal loans, which are extended for a number of general reasons and are denominated in UAE dirham;
- *Auto loans:* RBG customers are offered auto loans which are extended for the purchase of cars and are generally denominated in UAE dirham.
- *Mortgages:* RBG provides mortgages for the purchase of completed properties and off plan properties with fixed and variable interest rate options;
- *Credit cards:* RBG customers are offered Visa and MasterCard brands credit cards, including an ADCB 365 Cashback Credit Card with cashback on everyday spends 365 days of the year, along with many lifestyle benefits, as well as co-branded credit cards with LuLu Hypermarkets, the largest supermarket chain in the UAE, with Etihad Airways, the national airline of the UAE and with Accor, a leading hotel group;
- *Third party bancassurance products:* RBG also offers insurance solutions and services through partnerships with international and local providers including Zurich International Life, American Life Insurance Company (Metlife) and Oman Insurance Company; and
- *Open architecture investment product suite:* RBG offers both its own and third party investment products to its customers. Customers may subscribe to a range of investment instruments/solutions including ADCB managed funds, select from a curated list of mutual funds, fixed income securities and systematic investment plans.

Equivalents of the products set out above are available from Islamic Banking in line with the *Shari'a* compliant requirements.

### **Sales, Service and Distribution Channels**

In order to both maintain long-term customer relationships and further expand its customer base, the Group maintains an extensive network of retail branches (including four uBank centres) in the UAE and a dedicated relationship management channel for select segment customers. The Group also services its clients through a network of alternative distribution channels, including ATMs, cheque and cash deposit machines, contact centres, Internet banking, phone banking, the Group's mobile banking application, SMS banking, WhatsApp and the "uBank" digital banking service.

#### ***Alternative distribution channels***

The Group also maintains the following alternative distribution channels:

- *ADCB's internet banking system:* ADCB customers can conduct certain banking transactions such as account transfers, bill payments, opening of fixed deposits, booking credit card loans, viewing transaction history, tracking investment portfolios and conducting enquiries. ADCB FacePass, a new facial recognition feature facilitated by the Ministry of Interior was implemented for certain transactions to enhance digital banking security and convenience. As at 31 December 2022, over 570,000 customers had registered with the Issuer's internet banking system;
- *ADCB's mobile banking application:* ADCB customers can conduct certain banking transactions such as account transfers, bill payments, opening of fixed deposits, booking credit card loans, viewing transaction history, tracking investment portfolios and conducting enquiries through the Issuer's mobile banking application. ADCB FacePass, a new facial recognition feature facilitated by the Ministry of Interior was implemented for certain transactions to enhance digital banking security and convenience. As at 31 December 2022, over 1,100,000 customers had downloaded the ADCB mobile banking application;
- *ADCB Hayyak:* Launched in February 2019, ADCB Hayyak facilitates the digital on-boarding of new customers to ADCB. ADCB FacePass, a new facial recognition feature facilitated by the Ministry of Interior was implemented to enhance customer identification and verification. As of 31 December 2022, over 550,000 customers have been on-boarded through ADCB Hayyak;
- *ADCB SMS Banking:* allows ADCB customers to request information on transactions conducted on their accounts and to receive transaction alerts via SMS and/or email;
- *ADCB on WhatsApp:* the service, launched in November 2021, enables ADCB customers to request information on transactions conducted on their accounts, make bill payments and manage certain service requests via WhatsApp;
- *521 ATMs:* located throughout the UAE;
- *Contact centres:* call centres designed to assist customers with questions concerning consumer banking products and services. ADCB's contact centres are ISO 9001 certified; and
- *uBank:* ADCB operates four fully digital banking centres known as the "uBank" service with two locations in Abu Dhabi and two locations in Dubai. The "uBank" service uses biometric technology for authentication, interactive digital walls and surface tables along with video conferencing facilities through which customers can access financial guidance and support. Through the "uBank" service, customers have the ability to instantly open accounts and collect cheques from the kiosk. In addition, customers are able to conduct a number of routine banking transactions, including issuance and replacement of credit and debit cards, through a video assisted kiosk at the "uBank". The "uBank" service also has on-site service ambassadors to guide customers with transactions through the digital centre as required.

### **Competition for RBG**

The retail banking market in the UAE is highly fragmented and includes a range of local and international banks. The primary competitors to the Group's conventional retail banking business are Emirates NBD,



Mashreqbank, First Abu Dhabi Bank and HSBC. The Group attempts to distinguish itself from these local and international banks by striving to provide a full range of products and services, superior customer services, a customer centred approach, effective distribution channels and the "TouchPoints" rewards programme. In Islamic retail banking, the Group's principal competitors include Dubai Islamic Bank and Abu Dhabi Islamic Bank. Similarly, the Group attempts to distinguish itself from these local Islamic banks by drawing on its full service experience in order to provide a more extensive range of Islamic banking products and services than those offered by such local banks.

## **Awards**

The RBG has been recognised as a leading provider of retail banking products and services in the UAE. At the Asian Banker Global Excellence in Retail Financial Services Awards 2023, ADCB was awarded the "Best Retail Bank in the Middle East" and the "Best Retail Bank in UAE". At the Asian Banker Middle East & Africa 2022 Excellence in Retail Financial Services Awards, ADCB's mobile banking application was awarded the "Best Mobile Banking Service in the UAE". At the Digital Banker Middle East and Africa Retail Banking Innovation Awards in 2022, the Group was awarded: (i) "Best eKYC" for its Mobile and Internet Banking platforms; (ii) "Best Digital Transformation Program" for its IPO Portal. At the Islamic Retail Banking Awards from Cambridge IFA in 2022, the Group won the award for the "Best Islamic Retail Banking Window in the UAE" for two consecutive years. At the MENA Banking Excellence Awards, ADCB Islamic Banking was awarded the "Excellence in Employee Engagement" for engagement initiatives with the distribution teams.

## **Egyptian Banking Business**

The Group operates a retail banking business in Egypt through its subsidiary, ADCB-E. In Egypt, retail banking provides a wide range of conventional products and services across different retail client segments. These products and services are focused on covering the financial needs of its customers and include both lending and borrowing products, as well as a variety of payments, services and facilities. The service delivery is backed with a strong, multi-channel infrastructure. As at 31 December 2022, the ADCB-E network consisted of 49 branches and 154 ATMs. In addition, ADCB-E offers online banking services and mobile banking applications, which are supported by a customer contact centre that is open 24 hours a day.

## **Islamic Banking Business**

The Islamic banking business is managed under the "ADCB Islamic Banking" brand, which offers *Shari'a*-compliant products and services to retail, corporate and treasury customers. The Group's suite of products and services available in *Shari'a*-compliant form are similar to its conventional offerings, including accounts (Millionaire Destiny Savings Account and Emirati Millionaire Savings Account), deposits, financing products (murabaha auto finance, murabaha personal finance and ijarah home finance), Islamic covered cards and third party investment products. This business forms a part of the Group's Islamic banking platform in conjunction with the Group's wholly-owned Islamic banking subsidiary, AHB. As at 31 December 2022, the Group's Islamic banking business had approximately 320,000 retail clients and approximately 3,800 corporate clients.

The Group's Islamic banking business experienced growth during 2022, with income from Islamic financing increasing by 20.2 per cent. to AED 2.4 billion in the year ended 31 December 2022 from AED 2.03 billion in the year ended 31 December 2021.

### *Al Hilal Bank*

Following the Acquisition, the Group also offers *Shari'a*-compliant products and services to retail customers through its wholly-owned subsidiary AHB, which operates as a separate Islamic bank within the Group.

As at 31 December 2022, AHB had approximately 278,000 retail customers and maintained 13 branches in the UAE, two service centres and 69 ATMs. AHB's subsidiary, Al Hilal Bank Kazakhstan maintained three branches as at 31 December 2022.

Following the acquisition, the Group activated a digital strategy to turn AHB into a leading digital Islamic retail bank. In February 2022, AHB rebranded and launched a new cloud-based digital platform that offers financial solutions and a wide range of other services through an ecosystem of partnerships. Within eleven months of public launch, the app had acquired over 360,000 registered users on its marketplace representing

total balances of AED 325 million and saw a conversion rate of 37 per cent. of these users into banking customers. In 2022, the app recorded high daily engagement rates with over 12,000 transactions conducted daily and an average of 20 minutes spent on the app per user each day. Customer feedback has been positive, particularly for the family value proposition that provides a highly differentiated experience, including gamified financial education for children. AHB is continuously enhancing the banking and e-commerce product and service offering on the app.

In April 2023, ADCB and Al Hilal Bank partnered with The Bank of London and the Middle East to offer digital UK banking to customers in the UAE through the newly launched ADCB-Nomo and Al Hilal-Nomo banking apps. The new partnership gives UAE residents easy access to UK banking opportunities. Customers will be able to open offshore UK current accounts from the UAE with access to multicurrency banking, mortgage and savings accounts.

## **PRIVATE BANKING AND WEALTH MANAGEMENT GROUP**

The PBG offers a bespoke and highly personalised, end-to-end banking service for its discerning client base. The sophisticated product offering is bespoke and tailored to the client. Services range from innovative investment ideas, based on investment capabilities across all asset classes, to brokerage services wealth planning capabilities and an exceptional, tailored lending proposition, addressing client borrowing requirements. A dedicated relationship manager will deal with all of their clients' banking requirements and acts as a "one stop" contact point, ensuring business is transacted quickly and efficiently within a first-class service framework. For the year ended 31 December 2022, AED 411.6 million or 6.4 per cent. of the Group's net profit for the year was attributable to the PBG. Operating profit before impairment allowances attributable to the PBG for the year ended 31 December 2022 increased to AED 1.5 billion from AED 735.9 million for the year ended 31 December 2021. Impairment allowances attributable to the PBG for the year ended 31 December 2022 increased to AED 1.1 billion from AED 41.1 million for the year ended 31 December 2021. The PBG contributed 12 per cent. (or AED 1.7 billion) to the Group's total operating income of AED 14.3 billion for the year ended 31 December 2022 (as compared to 7.8 per cent. (or AED 960.4 million) to the Group's total operating income of AED 12.3 billion for the year ended 31 December 2021).

### **Wealth Management Investments**

The group offers an open architecture platform which provides clients with access to a global set of mutual funds. The business product offering combines traditional long-only equity fund management with more bespoke discretionary portfolio management and investment advisory solutions, along with execution and custody services covering equity, fixed income, mutual funds and structured products. Additionally, the business also manages a range of Luxembourg domiciled Undertakings for Collective Investments in Transferable Securities mutual funds offering exposure to MENA equity markets.

The PBG offering is typically only extended on an invitation only basis, based on the client profile. The minimum eligibility criteria is the maintenance of a total relationship balance of at least U.S.\$1 million.

In 2018, ADCB established a wholly owned asset management subsidiary, ADCB Asset Management Limited, in the Abu Dhabi Global Market ("ADGM") financial free zone. ADCB Asset Management Limited holds a category 3C license issued by the Financial Services Regulatory Authority with financial services permissions to conduct regulated activities including managing assets, arranging and advising on investments, arranging custody and arranging credit.

### **Bespoke Lending**

As well as a full suite of retail lending products, the group provides more bespoke lending based on individual client needs. This covers a wide range of collateralised lending, with a specific focus on real estate loan structuring to meet client's diverse requirements.

### **ADCB Securities**

Founded in 2005, ADCB Securities is ADCB's brokerage house which offers its customers access to trade through the UAE's stock exchanges. ADCB Securities is regulated by the UAE Securities and Commodities Authority for trading in the Abu Dhabi Securities Exchange, the Dubai Financial Market and NASDAQ Dubai.

## **Competition**

The private banking market in the UAE is fragmented and includes a number of local peer banks and a proliferation of international bank representative offices. Examples of local competitors include Emirates NBD and First Abu Dhabi Bank. The Group distinguishes itself from both local and international banks by having a "one contact point" relationship manager, looking after all client's investment, brokerage and borrowing needs. This approach is combined with the ability to leverage and showcase a full range of innovative products and services, combined with a superior service culture, where the client is at the centre of everything the group does. The Bank's branch network, end-to end banking product offering, combined with regular local relationship management presence and 'on the ground', local market expertise, differentiate the group from international competitors.

## **CORPORATE & INVESTMENT BANKING GROUP**

The corporate & investment banking group provides corporate lending, trade finance, working capital finance, liquidity management, transactional banking and capital markets and advisory services to SMEs, local, regional and multinational corporate entities, government and government-related entities and financial institutions. CIBG was previously referred to as the wholesale banking group and was renamed CIBG in June 2023 to better reflect the scope of banking services the group provides to clients across the region.

CIBG is organised into four distinct client-focused divisions: (i) the commercial banking division, which focuses on SMEs and mid-sized corporates; (ii) corporate & investment banking Abu Dhabi and Al Ain, which provides comprehensive banking solutions to large scale corporates, government-related commercial entities, and government clients based in the Emirate of Abu Dhabi; (iii) corporate & investment banking Dubai and Northern Emirates, which focuses on corporate and government clients operating in the Emirates outside of Abu Dhabi; and (iv) corporate & investment banking international, which provides services to multi-national corporates requiring banking solutions in the UAE, international and regional financial institutions, and corporate and government clients based throughout the MENA region.

CIBG's product-focused divisions include the: (i) transactional banking division, which offers both cash management and trade finance solutions (including sophisticated automated platforms) to provide end-to-end optimisation of a corporate's working capital cycle; (ii) investment banking division, which focuses on conventional and Islamic debt capital markets instruments including debt underwriting and distribution services, structured asset and acquisition financing, debt restructuring, corporate advisory and structuring services, equity capital markets solutions, funding services, evaluation of mergers and acquisitions and joint venture opportunities; and (iii) financial markets solutions division, which offers investments and risk management solutions such as foreign exchange, commodity and interest rate hedging.

As at 31 December 2022, CIBG had more than 40,700 active customers, the majority of which were based in the UAE.

For the year ended 31 December 2022, net profit of AED 1.8 billion or 27.9 per cent. (31 December 2021: net profit of AED 913.4 million or 17.4 per cent.) of the Group's net profit for the year was attributable to CIBG. Operating profit before impairment allowances attributable to CIBG for the year ended 31 December 2022 increased to AED 3.3 billion from AED 2.8 billion for the year ended 31 December 2021. Impairment allowances attributable to CIBG for the year ended 31 December 2022 decreased to AED 1.3 billion from AED 1.8 billion for the year ended 31 December 2021. CIBG contributed 31.7 per cent. (or AED 4.5 billion) to the Group's total operating income of AED 14.3 billion for the year ended 31 December 2022 (as compared to 31.4 per cent. (or AED 3.9 billion) to the Group's total operating income of AED 12.3 billion for the year ended 31 December 2021).

## **Client-Focused Divisions**

### ***Commercial banking division***

The commercial banking division provides SME customers (entities with annual revenue of less than AED 250.0 million) with a wide range of products and services including cash management, trade finance, business/commercial financing and deposit services. In order to control the costs of and risks associated with the services it provides to its SME clients, the division provides clients with relatively standardised packages of services rather than separate solutions for each individual client. The Group added over AED

2.5 billion net new funded SME loan accounts (including long- and short-term loans and overdrafts) among new and existing customers in the year ended 31 December 2022. As at 31 December 2022, the Group had approximately 34,100 SME customers. At the beginning of 2023 the mid-corporate segment was transitioned to be part of the commercial banking division, bringing all granular business under the same division. The structure of the mid-corporate coverage units remains unchanged with a dedicated relationship team in each geography specifically focusing on entities with annual revenue of between AED 250.0 million and AED 600.0 million.

#### ***Abu Dhabi & Al Ain and Dubai & Northern Emirates***

Each of the Dubai and the Northern Emirates and the Abu Dhabi and Al Ain divisions offers a full range of banking products and services to large corporates (companies with annual revenues over AED 600.0 million), multi-national businesses, government-related commercial entities and governments and their departments across their respective geographic locations.

#### ***Corporate & Investment Banking International***

The corporate & investment banking international division was established to provide coordination of overseas activities following the closure of the Group's representative offices (see "*International Expansion*" below). The division focuses on corporate & investment banking clients who have global operations or which are based outside of the UAE, including multi-national corporates requiring local banking services. The remit of the former GCC business has been expanded to offer facilities to clients with linkages to India, other GCC countries and clients in the wider MENA region requiring the services of a UAE-based bank. The unit also services a small portfolio of major Egyptian government and corporate clients, who also have relationships with ADCB-E. Corporate & investment banking international is responsible for managing the Group's relationships with over 1,000 financial institutions (including non-bank financial institutions) located around the globe. These financial institutions comprise banks, finance and investment companies, asset managers, broker dealers, commodity houses and insurance companies. The division provides a range of trade finance, treasury, financing and other products and solutions to these financial institutions. The division is also responsible for maintaining nostro (where the Group holds an account with other financial institutions) and vostro (where other financial institutions hold an account with the Group) client relationships. In addition, the division remains responsible for the allocation of exposure to other relevant areas of the Group, including the treasury and investments group.

#### **Product-Focused Divisions**

##### ***Transaction banking division***

The transaction banking division provides corporate banking services to support the corporate & investment banking group's client-focused divisions. The division offers cash management, trade services and trade finance products as well as liability products such as call accounts, fixed deposits and money market related deposits. The division's principal products and services include:

- *Cash management*: managing cash accounts, cash management solutions for large or government clients, including through the use of a sophisticated electronic platform enabling integration of internal and external information management between the Group and the client through secure information technology architecture, and payment and collection products for its corporate and financial institution clients. It also provides escrow services and is closely involved in the management of deposit products;
- *Trade finance*: providing trade finance products and services such as export/import letters of credit, payment guarantees, bills and collections. Trade services can be offered on a proprietary electronic platform which automates activity; and
- *Liability products*: providing and managing liability products, including deposits.

The Group is focused on significantly enhancing its transaction banking capabilities, including its trade finance and cash management capabilities. With respect to trade finance, the Group has: (i) aligned its corporate & investment banking group coverage teams (both internally and with the credit group); (ii) built capacity for structured transactions, including the development of an Islamic trade finance delivery channel;

(iii) launched an advanced internet-based trade finance platform to automate the Group's trade finance offerings and enhance its capabilities; and (iv) reviewed and streamlined documentation practices.

With respect to cash management, the Group: (i) has increased the number of clients (including government clients) using the Group's cash management capabilities; (ii) has launched programmes to strengthen deposit retention, drive the acquisition of deposits and cross-sell existing products; (iii) is providing yield enhancing, principal protected investments through the treasury & investments group; (iv) is exploring opportunities for providing transaction management services to niche customer groups such as universities, law and accounting firms and insurance companies; (v) is focusing on acquiring *Shari'a*-compliant deposits; (vi) has developed a sophisticated electronic system to deliver end-to-end cash management; and (vii) is offering streamlined processing and payment options.

### ***Investment banking division***

The investment banking division primarily provides corporate advisory, origination, structuring, underwriting and syndication services to corporations, financial institutions, governments and government-controlled entities.

The division offers its products and services primarily to clients in the UAE, especially in Abu Dhabi and Dubai, as well as to clients in other GCC countries. The division does not focus on any particular industries or sectors and has provided products and services to a diverse range of large corporates across the region. The division also works with international banks as an arranger or lead manager in international debt offerings by GCC issuers with the aim of positioning itself as the preferred local partner of such international banks rather than directly competing with them.

The division's principal investment banking products and services include:

- *Asset-based finance*: offering asset-based finance (infrastructure and project financing) to local or multinational corporates;
- *Debt capital markets*: structuring and arranging conventional bonds (including convertible bonds) on a syndicated or stand-alone basis. The division also offers structured and standardised Islamic finance, including *Shari'a*-compliant financing and sukuk issuances for its institutional clients, and intends to grow its Islamic debt capital markets business significantly in the future;
- *Equity capital markets*: structuring and arranging equity placements, offerings and sales on a public or private placement basis;
- *Structured financing and debt restructuring*: offering structured asset finance, acquisition finance (including leveraged finance) and debt restructuring for local and multinational corporates; and
- *Corporate advisory and structuring*: providing corporate advisory and structuring services to clients to facilitate complex structured financing transactions. In addition, the division assists with investment management, transaction negotiation, performing due diligence and asset valuations for sellers.

The division also manages the Group's strategic investments and certain of the Group's proprietary investments. In addition, the investment banking division seeks and evaluates strategic opportunities for the Group, such as mergers and acquisitions and joint ventures, and performs valuations of assets for investment purposes.

### ***Financial markets solutions division***

The financial markets solutions ("**FMS**") division primarily provides foreign exchange and risk management solutions such as interest rate swaps and other hedging structures, as well as offering suitable treasury investment products to selected CIBG clients. The division was transferred to CIBG from the treasury and investments group pursuant to an internal reorganisation effective from 1 January 2023. The FMS business is relationship driven and FMS products, such as derivatives and currency exchange, are closely linked to other CIBG solutions such as lending and cash management.

## **Risk, Support and Enablement**

As part of driving efficiency, CIBG has further refined the organisational structure by clearly differentiating front and middle office operations. The enlarged risk, support and enablement team includes administrative and support staff assisting the coverage teams which have been reorganised into a dedicated support service operation. The support services teams manage day-to-day client communications, queries and internal and external service requests, allowing relationship managers to focus on client relationships and revenue generation, while experienced senior bankers concentrate on building new business leads. The other divisions under risk, support and enablement include (i) the credit support services team which supports relationship managers through analysis of initial business risk and credit analysis, portfolio monitoring, document exception management, quality controls and assurance over front office activities, as well as preparing submissions to be forwarded to the Group's credit department; (ii) the governance, policy and control team responsible for corporate & investment banking product governance, risk management and liaison with Group risk functions including operational risk, compliance and internal audit; and (iii) the newly established delivery management team responsible for project managing all of CIBG's digital and process efficiency initiatives to ensure delivery of a strong digital proposition for corporate clients.

## **Portfolio Management**

The portfolio management division was created in early 2021 to manage and monitor the entire CIBG corporate & investment banking business. This includes a business performance and analysis team responsible for coordinating and sourcing data to assess performance at portfolio level and providing management information system reports to corporate & investment banking sales teams to facilitate efficient sales activity and support strategic decision-making. The division is responsible for managing the balance sheet of the corporate & investment banking group, including monitoring liquidity requirements and funding ratios, as well as exploring opportunities to optimize the capital consumption and sector exposure in the lending business.

## **International Expansion**

In 2021 and 2022 the Group discontinued its on the ground operations in Kuwait, Qatar and India, and has since been focusing on growing cross border exposure in Egypt, Saudi Arabia and furthering business opportunities in Kazakhstan, Oman and the wider GCC. Regional expansion and facilitating cross border financing and trade activities within the MENA region continues to be a focus for CIBG going forward.

## **Competition for Corporate & Investment Banking Group**

The primary competitors to the Group's corporate & investment banking business include Emirates NBD, First Abu Dhabi Bank and Mashreqbank. The Group also competes with certain international banks such as HSBC, Standard Chartered Bank, Barclays and BNP Paribas. In debt capital markets and securities underwriting and distribution, the Group typically works with international investment banks such as Bank of America, Goldman Sachs, Citibank, Morgan Stanley and UBS as co-lead or joint managers, rather than competing with them.

Certain aspects of the Group's corporate & investment banking business, including access to deposits and trade finance, have become increasingly competitive due to tight domestic liquidity conditions for term deposits and a renewed focus on non-funded lending by local banks. Foreign bank participation in public sector financing has had a significant downward effect on margins in this area.

In Islamic corporate & investment banking, the Group's principal competitors include Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC and Islamic subsidiaries of local and international banks.

## **Awards**

In 2022, the Group was named: (i) "Best Trade Finance Provider in UAE" by Global Finance; and (ii) "UAE Domestic Trade Finance Bank of the Year" by Asian Banking and Finance's Wholesale Banking Awards 2022.

## **TREASURY & INVESTMENTS GROUP**

The treasury & investments group manages the Group's commercial and proprietary financial markets operations and investment securities portfolios.

For the year ended 31 December 2022, the Group's treasury & investments group generated an operating income of AED 3.5 billion representing 24.7 per cent. of the Group's total operating income and a net profit of AED 3.2 billion representing 49.1 per cent. of the Group's total net profit. Operating profit before impairment allowances attributable to the treasury & investments group for the year ended 31 December 2022 increased to AED 3.2 billion from AED 2.7 billion for the year ended 31 December 2021. The impairment allowances attributable to the treasury & investments group for the year ended 31 December 2022 were a release of AED 14.1 million compared to charge of AED 35.4 million for the year ended 31 December 2021. The treasury & investments group contributed 24.7 per cent. (or AED 3.5 billion) to the Group's total operating income of AED 14.3 billion for the year ended 31 December 2022 (as compared to 24.4 per cent. (or AED 3.0 billion) to the Group's total operating income of AED 12.3 billion for the year ended 31 December 2021).

### **Treasury Division**

The treasury division ("**Treasury**") offers a range of treasury services on a conventional and Islamic basis to domestic and foreign corporates, sovereign wealth funds, central banks, public sector and government entities, as well as to HNWI clients, international investors and financial institutions.

Treasury is responsible for managing the Group's cash flow and liquidity as well as the Group's foreign exchange, investments and interest rate risks within delegated limits. The Group's LCR and NSFR exposure is monitored on a daily basis whilst internal liquidity and funding metrics are monitored periodically within the Group's Assets and Liabilities Committee (the "**ALCO**") and the Board.

Treasury uses derivative financial instruments for balance sheet hedging purposes in order to manage the Group's exposure to fluctuations in currency and interest rates. Treasury at times also manages risk taken as a result of client transactions or initiates positions with the expectation of profiting from market movements. As at 31 December 2022, the total positive fair values and notional values of the total derivative financial instruments was AED 15.2 billion and AED 773.2 billion, respectively.

Treasury manages liquidity, interest rate and foreign exchange risks by running stress scenarios involving changes to market parameters including customer behaviour through Moody's Risk Foundation ALM Software. The software allows the Group to assess liquidity under different market conditions and be proactive in its balance sheet management strategies.

Treasury has diversified its funding via active short-term liquidity management through repo trading and collateral swaps. This activity is executed via the tripartite and bilateral repo markets.

### **Investments Division**

The Group's investments division manages the Group's liquid assets portfolio as part of its compliance with the regulatory requirements of the Central Bank. Its investment strategy targets investments that: (i) do not compromise the Group's short to medium term liquidity positions; (ii) are in line with Central Bank and Basel III guidelines for HQLAs; and (iii) satisfy the Group's low risk appetite but generate attractive returns on capital. The investments are evaluated regularly and recorded on a mark-to-market, mark-to-model or amortised cost basis on the Group's statement of financial position.

As part of its LCR liquidity reporting and compliance, the Group's investments division invests in various short-term or medium-term, highly marketable assets in line with Basel III guidelines for HQLAs (such as certificates of deposit, M-bills held with the Central Bank, Treasury bonds and sukuk issued by the UAE Government and investment grade bonds). As at 30 September 2023, the Group held a portfolio of HQLAs valued at AED 100.9 billion as compared to AED 102.7 billion as at 31 December 2022. See "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's liquidity – The Group's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*" for more information.

The Group's investments are primarily in highly liquid sovereign, quasi-sovereign and government-related senior unsecured fixed income securities issued by UAE, GCC and global issuers. The majority of the Group's local liquidity is invested in government bonds and other government-related public sector entities in the UAE and systemically important financial institutions in the UAE and the GCC.

As at 31 December 2022, 99.1 per cent. of the Group's investment portfolio was invested in quoted and unquoted fixed income securities. The remaining 0.9 per cent. was invested in quoted and unquoted equity and private equity funds.

As at 31 December 2022, the investments division had: (i) U.S. Treasury and U.S. agency securities of AED 7.3 billion; (ii) a portfolio of AED 13.1 billion of investments in government bonds of Canada, France, Japan and Italy; and (iii) a portfolio of AED 16.9 billion of investments in senior fixed income securities issued by sovereigns and quasi sovereigns in the PRC, South Korea, Taiwan, Hong Kong, Indonesia, India, Malaysia, Egypt, Israel and Chile and AED 1.0 billion of investments in supranational bonds. The carrying value of the total investment securities portfolio managed by the Group's investments division grew from AED 96.5 billion as at 31 December 2021 to AED 112.0 billion as at 31 December 2022.

The table below sets forth the Group's investment securities on the dates indicated.

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>(AED millions)</i>	
Investment securities	112,011	96,513

The Group's investment securities portfolio outside the UAE and GCC was 40 per cent. of its total portfolio as at 31 December 2022. Asset allocation has primarily been to highly liquid senior unsecured bonds of systemically important institutions with liquidity being the key investment criteria. The geographical distribution of the Group's investment securities portfolio as at 31 December 2022 was AED 41.2 billion (36.8 per cent.) in the UAE, AED 26 billion (23.2 per cent.) in other GCC countries and AED 44.8 billion (40.0 per cent.) in the rest of the world (including Asia, Europe, the United States and other locations).

As at 31 December 2022, the Group had bond investments carried at fair value through other comprehensive income portfolio of AED 54.9 billion. The external credit rating profile, by reference to Standard & Poor's rating scale (or, where a Standard & Poor's rating was unavailable, a comparable Fitch or Moody's rating), of the Group's bond investments as at 31 December 2022 was: (i) AED 19.9 billion (or 36.3 per cent.) rated between 'AAA' and 'AA-'; (ii) AED 20.2 billion (or 36.9 per cent.) rated between 'A+' and 'A-'; (iii) AED 7.2 billion (or 13.1 per cent.) rated between 'BBB+' and 'BBB-'; (iv) AED 6.5 billion (or 11.9 per cent.) rated between 'BB+' and 'B-'; and (v) AED 1.0 billion (or 1.8 per cent.) being UAE sovereign bonds.

As at 31 December 2022, the Group had gross bond investments carried at amortised cost portfolio of AED 56.2 billion. The external credit rating profile, by reference to Standard & Poor's rating scale (or, where a Standard & Poor's rating was unavailable, a comparable Fitch or Moody's rating), of the Group's bond investments carried at amortised cost as at 31 December 2022 was: (i) AED 29.9 billion (or 53.2 per cent.) rated between 'AAA' and 'AA-'; (ii) AED 17.43 billion (or 31.0 per cent.) rated between 'A+' and 'A-'; (iii) AED 6.7 billion (or 11.9 per cent.) rated between 'BBB+' and 'BBB-'; (iv) AED 1.9 billion (or 3.4 per cent.) rated between 'BB+' and 'B-'; and (v) AED 0.3 billion (or 0.5 per cent.) being UAE sovereign bonds.

For more information about the risks associated with these investments, see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's Business – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*".

### **Competition for Treasury Operations**

The management of the Group believes that the Group has market leading expertise in derivative products and structured treasury solutions as compared to other local banks. In addition to competing with the local UAE banks, the Group competes with a number of international banks in this business, including HSBC, Standard Chartered Bank, Citibank and Deutsche Bank. These banks have a wealth of experience in international treasury operations and market knowledge in this area and may pose a threat to the Group's franchise in the UAE market. However, management believes that the Group's strong relationships with mid-sized corporates, top-tier local corporates, public enterprises, SMEs and domestic financial institutions, combined with its treasury products expertise, will help sustain or enhance its market position in the foreseeable future.



## PROPERTY MANAGEMENT

The property management group mainly comprises the real estate management operations of:

- ***Abu Dhabi Commercial Properties LLC***: which is a wholly-owned subsidiary whose principal activities consist of providing real estate property management and advisory services, including facilities management; and
- ***Abu Dhabi Commercial Engineering Services LLC***: which is a wholly-owned subsidiary whose principal activities consist of providing project management and development services.

In addition to the above, notable real estate assets in Abu Dhabi owned by the Group include: (i) the Group's head office building, situated in the central business district area of Abu Dhabi City; (ii) the Group's office building, situated at Al Nahyan Camp in Abu Dhabi City; (iii) a mixed use building named "AD1" at Abu Dhabi National Exhibition Centre, part of the Capital Centre District; (iv) an apartment building consisting of 58 apartments and 15 standalone villas in the Bawabat Al Sharq Development, Bani Yas, Abu Dhabi, (v) former UNB head office building in Abu Dhabi City, (vi) Al Hilal Bank's head office building at Al Bahar Towers and (vii) four vacant plots on Al Reem Island.

In addition, the Group owns a number of buildings across the UAE associated with its business operations as part of its branch network, corporate space and storage facilities.

For the year ended 31 December 2022, the Group's property management group generated net profit of AED 145.5 million, representing 2.3 per cent. of the Group's total profit for the year. Operating profit attributable to the property management group for the year ended 31 December 2022 decreased to AED 145.5 million from AED 156.6 million for the year ended 31 December 2021. The property management group contributed 2.3 per cent. (or AED 330.5 million) to the Group's total operating income of AED 14.3 billion for the year ended 31 December 2022 (as compared to 2.5 per cent. (or AED 311.6 million) to the Group's total operating income of AED 12.3 billion for the year ended 31 December 2021).

On 8 November 2023, the Issuer announced that it had received a binding offer for a majority stake acquisition in ADCP from Nine Yards Plus Holding, an EIH Ethmar International Holding PJSC subsidiary, acting as its main real estate arm. The potential partnership, subject to the transaction agreements, approvals and any relevant closing conditions, is expected to be completed in 2023. The Issuer, would retain a 20 per cent. stake in ADCP and expects to register a gain of approximately AED400 million upon the sale of the majority stake to Nine Yards Plus Holding. The transaction aligns with the Group's strategy to focus on growth and diversity building on strategic partnerships with UAE companies.

## DIGITISATION

The Group is committed to adopting the latest banking and technological innovations in order to provide its customers with a convenient banking experience. In line with this strategic focus on digitisation, the Group has dedicated significant resources to the development of its digital offering and has instructed external consultants to advise on the implementation of its digitisation initiatives. The Group plans to continue to invest in digitisation as it strives to remain competitive and to provide its customers with access to banking services remotely and digitally (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's operations – If the Group is unable to anticipate and develop or provide new digital services for its customers and/or keep pace with the digitisation of the banking market, the Group's business, results of operations and financial condition could be materially adversely affected*").

As at the date of this Prospectus, the Group's existing digitisation initiatives include the following:

- ***uBank***: The Group operates four fully digital banking centres, known as the "uBank", across locations in Abu Dhabi and Dubai. The "uBank" service uses biometric technology for authentication and interactive digital walls and surface tables along with video conferencing facilities through which customers can access financial guidance and support (see "*Retail Banking Group – Sales, Service and Distribution Channels – Alternative distribution channels*" above);
- ***The Group's customer applications***: The Group's dedicated customer applications enable the Group's customers to conduct certain basic transactions through their personal devices, such as account transfers, bill payments, enquiries, cash management and securities brokerage services, in

addition to viewing location-based offers and searching residential and commercial properties for rentals. As at 31 December 2022, the Group had more than 10 customer applications including an instant account opening application; a digital wealth application; a mobile banking application; "money buddy" – a personal finance management application; a location-based offers application; a cash management mobile application for corporate clients; an ADCP tenant application; and an ADCB Securities LLC application;

- *The Group's website:* The Group's website is designed to be easily navigable by the Group's customers, prospective customers, and stakeholders and to allow them to readily access information about the Group and its products. The website is responsive across different platforms, including desktop, mobile and tablet;
- *The Group's internet banking system:* The Group's internet banking system provides the Group's customers with the ability to conduct certain banking transactions online, such as account transfers, bill payments, opening of fixed deposits, booking credit card loans, viewing transaction history and conducting enquiries. As at 31 December 2022, over one million customers had registered with the Group's mobile banking channel;
- *Trade Finance services:* The Group's Trade Finance services were digitised through an improved workflow and portal. At the 2022 ABF Wholesale Banking Awards, ADCB won the UAE Domestic Trade Finance Bank of the Year award;
- *Virtual Accounts:* The Group has optimised the accounts receivables process for corporate customers through enhanced technology, enabling customers to consolidate bank accounts and centralise transactions;
- *SMS alerts:* The Group's customers can request information on transactions conducted through the Group's mobile banking application and receive transaction alerts via SMS;
- *Digital Wealth:* The Group's Digital Wealth Management system offers comprehensive wealth eco-system for retail and private banking clients. In 2022, ADCB won the "Leading Wealth Tech Adopter of Middle East 2022" award at the Middle East WealthTech Awards;
- *Lifestyle App:* The Group's lifestyle platform, SimplyLife, focuses on the mass market customer and provides access to digital financial products and services, offers options for financial spending and creates value with discounts and returns through a single app; and
- *Digital Onboarding:* The Group's digital onboarding app, Hayyak, provides an end to end automated digital solution to self-onboard individual customers with the ability to open accounts, credit cards and personal loans. Hayyak won "Best Customer Onboarding app" at the Asian Banker Awards 2021.

## **GROUP BUSINESS SERVICES**

The Group Business Services ("**GBS**") division comprises a number of key support functions which operate across the Group network. The GBS has grown to comprise of over 2,500 staff as at 31 December 2022. Headed by the Group Chief Operations Officer, GBS is organised by the following three core functions.

### **Itmam Services L.L.C. ("Itmam")**

Itmam is a wholly-owned subsidiary of the Group which provides banking operational and processing services (such as account and wealth services, lending, credit card operations, payments, customer contact services, trade finance, wealth management, treasury, syndication, IPO operations and ATM services) to all parts of the Group. Itmam forms part of the GBS organisational structure and is governed by its own board of directors. Its Chairman is the Chief Operations Officer of ADCB. Itmam's structure includes a general manager and six key operational service divisions: (i) Consumer Operations; (ii) Wholesale Operations; (iii) Customer Contact services; (iv) Treasury and Syndication Operations; (v) Corporate Services and (vi) Shared Services & Operations Management, which includes "Tamooha", the Group's award-winning operations centre, staffed entirely by UAE national females in Al Ain.

In May 2019, subsequent to the announcement of the Acquisition, the operations at AHB were outsourced to Itmam to leverage the existing scale, efficiency, control and best practices at Itmam.

The Corporate Services team in Itmam also plays a pivotal role in providing a safe environment to ADCB's customers and employees, implementing safety measures and controls across all ADCB branches and office premises to manage the COVID-19 pandemic.

Itmam continues to invest in transforming its operations towards 'Digital First'. Itmam has spearheaded a number of digital transformation initiatives. Recent successes include the WhatsApp banking service and the automation of payment enquiries. There are sizeable initiatives towards contact centre transformation and lending automation that are work in progress.

### **Group Service and Customer Experience Management**

The group service and customer experience management division supports the bank-wide "service excellence initiative", innovation initiatives, service optimisation strategies and a number of key change projects across the Group.

### **Technology Services**

The technology services division architects, designs, develops and supports the Group's business systems landscape and IT Infrastructure. This division manages the Group's servers, data centres and the network supporting the Group's branch networks and offices connectivity across the UAE and internationally. Providing support for the Group applications running in production, the division assists the business groups in planning their requirements, architecting and designing IT solutions, managing business projects, conducting software testing, managing the ADCB hardware and software framework and is responsible for governance, risk mitigation, contracts, licensing and service changes.

In 2020, the technology services division focused on the delivery of the milestones for the Merger including the legal merger, the brand merger and branch network merger, customer data migration and the final phase of IT systems archival and decommission to achieve merger synergies. This included the centralisation of governance and contracting functions as well as the organisational restructuring of IT to be able to run two banks' IT landscapes by one IT team until the final consolidation and shutdown of similar systems could be completed. In parallel, the technology services division delivered on the digital programme, as well as on improvements in the customer channels and in the operational productivity with a target to reduce cost. The IT department also scaled-up work-from-home infrastructure and capabilities allowing the Bank to function seamlessly during the COVID-19 pandemic lockdowns.

The technology services division also enables a convenient and efficient service to the Group's customers, offering a range of mobile and electronic banking services for Retail & Brokerage, Islamic, Corporate and Private Customers. This includes Internet banking, the Group mobile banking services, telephone banking, customer on-boarding, SMS banking, corporate cash management, trade finance as well as API-based B2B services for partners.

The Group's disaster recovery procedures and facilities ensure that critical systems and data are fully operational and provide essential services to its customers. The Group carries out daily and other periodic data backups which are stored at a location outside of Abu Dhabi. In cases of emergency, the Group can switch over selected critical systems to the disaster recovery site within four hours. The Group's data centre is located outside the city limits of Abu Dhabi in a facility providing technical facilities certified as Tier IV in accordance with the Uptime Institute (which publishes a standard guiding design and investment for data centres globally).

### **GROUP SUSTAINABILITY POLICY**

In June 2022, the Group published its Group Sustainability Policy (the "**Policy**"), the purpose of which was to define ADCB's sustainability commitments in line with the Group's strategy. The Policy establishes a common set of standards across the Group with a focus on the following ESG areas: (i) Climate; (ii) Customers and Communities; (iii) Employees; and (iv) Governance. Under the Climate pillar of the Policy, the Group has committed AED 35 billion to green financing by 2030 to support customers in their decarbonisation journey, to develop innovative financial products and services to help corporate and retail customers reduce their emissions and tackle climate change, and to work towards disclosure of the financed emissions of its most carbon intense portfolios on a scope three basis. The Group has further committed to

integrate environmental and social risk management due diligence into its lending business, with a Board approved policy detailing its approach to identifying, assessing and mitigating risks.

## **HUMAN RESOURCES**

### **Employees**

The Group had 8,464 employees as of 31 December 2022 compared to 7,987 as of 31 December 2021. In addition to the total number of employees reported as of 31 December 2022, the number of outsourced staff as of 31 December 2022 was 891, compared to 649 as of 31 December 2021.

Investment in people remains a key focus in order to prepare employees to effectively adapt and manage challenges.

### **Learning and Performance**

To continuously improve organisational and cultural health within the Group, ADCB trains and develops its new and existing employees so that the Group and all of its business functions are supported by the skills required for operational success. The Group has created a tailored learning approach for each of its business lines that seeks to ensure staff have the abilities required to achieve the Group's strategic goals.

The Group's training and development related activities are delivered through a blended learning approach incorporating both in-class tailored programmes and virtual classrooms or online learning modules, which are designed to support the business needs across all units. These programmes are run internally by Group employees or, where external facilitation is required, in partnership with some of the world's leading corporate education providers.

The Ambition University ("**AU**") is the Group's corporate university which aligns and integrates employees' development with the Group's strategic initiatives both at an organisational and business level. The AU undertakes business-driven training designed to add value to the Group's business, shareholders and customers.

### **Reward at ADCB**

ADCB's approach to reward ensures that it can attract, retain and motivate employees capable of leading, managing and delivering quality service in a competitive environment, which supports ADCB's strategic pillar of setting up and empowering its executive team and organisation. Furthermore, ADCB's reward philosophy is underpinned by practices and policies that promote effective risk management, which is aligned to its strategic pillar of effective governance in line with a predefined risk appetite.

ADCB designs and structures remuneration and benefits packages so that they reflect responsibilities and deliverables of jobs at all levels, are fair and equitable, and incorporate clear and measurable rewards linked to ADCB's business function and individual performance. Rewards are based only on the results of a rigorous performance-based appraisal system with a robust decision-making, review and approvals process.

ADCB's reward structure comprises "Fixed Pay", "Variable Pay" and "Benefits". The nature and level of the different benefits available for employees are dependent on the level of their job and include leave air-fare, paid annual leave, private medical insurance, life insurance coverage, children's education allowance, end of service gratuity (for expatriate employees) and pension (for UAE and GCC national employees).

Employees may receive Variable Pay based on their performance over the years. Since it is performance-based, the amount received, if any, may change each year. Performance criteria is set and individual award amounts are dependent on individual, business function and bank-wide performance. Variable Pay distinguishes between different functions of ADCB to ensure alignment to the relevant market. Importantly, ADCB has designed its Variable Pay framework to align employee interests with the long-term interests of ADCB's shareholders and, in some instances, is delivered through share awards. Any Variable Pay award above specified thresholds will be deferred and awards are subject to thresholds, caps, claw-back rules and malus clause.

In addition, ADCB has a number of short-term sales incentive plans in place to ensure that sales employees are incentivised and rewarded for achieving sales and revenue targets. Furthermore, a number of non-

financial recognition schemes are in place for employees who deliver exceptional customer service and demonstrate the Group's values.

ADCB's reward and benefits structures are continually benchmarked and reviewed and ADCB participates in the major compensation surveys in the region annually. Furthermore, ADCB initiates an independent review of the reward structure regularly to allow for comparisons with the external market, both regionally and internationally.

### **Emiratization**

In 1999, as part of a policy of "Emiratization", UAE banks were instructed by the UAE federal government to increase the number of UAE nationals on their payroll by at least 4 per cent. per annum. This policy was replaced by the Emiratization Circular, which replaced the old quota system with a more robust points system. The Emiratization Circular introduced a scoring system which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratization Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratization Circular.

In line with this approach, the Group has made a commitment to employ and train UAE nationals. The Group's Emiratization strategy supports the Group's position as a nationalisation leader across the UAE.

From 31 December 2020 to 31 December 2022, the number of Emirati employees in the Group has increased by 29 per cent. As of 31 December 2022, the Group had 1,910 UAE National employees within the Group. In addition, as a standard practice, the Group gives priority in recruitment and succession planning to UAE Nationals. This is further reflected through the Group's efforts, including its participation in career fairs and supporting year-round Emiratization national initiatives. The Group plans to maintain the same drive and commitment to this initiative in the years ahead. In 2022, as with previous years, ADCB contributed to the Emiratization national agenda by recruiting 252 UAE nationals.

The Group's Emiratization strategy, implemented through recruitment and employee selection as well as training programmes, enjoys the support and commitment of business heads and management across all business areas.

Developing UAE Nationals in the Group is given special and dedicated attention. In 2018, the Group successfully launched the ADCB Emirati Academy, providing a robust, fully customised, learning framework that supports development at all levels within the organisation. Therefore, the Group increased the financial dexterity of Emirati employees, focusing on enhancing their competencies and confidence as individual subject matter experts and team contributors.

As an organisation, the Group is focused on empowering Emirati women in the banking industry. The Group supports this employment initiative through the Tamooha programme. The Tamooha programme continues to grow, attracting more Emirati women who are seeing the Group as an employer of choice. Since it began in 2014, this programme has attracted and continues to attract Emirati women, facilitating job opportunities and career development, providing an environment that suits social norms, family responsibilities and overcomes regional barriers such as geographical remoteness. This award-winning inclusivity initiative for Emirati women celebrated its seventh anniversary in 2021. In 2016, this initiative was recognised at the Gulf Employee Experience Awards, and in 2017, "Tamooha" won the "Best Initiative" award at the Global Women in Leadership Economic Forum.

In line with the Government's Strategy and Abu Dhabi Economic Vision 2030 to increase the participation of UAE Nationals in the workforce, the Group is also supporting young Emirati talent, enabling them to become a driving force of the UAE's economic development. In 2019, the Group committed to on-board a group of talented young Emiratis under its new "Train for Work" project. In response to this initiative, the Group received a recognition award from Mubadala in partnership with the Abu Dhabi Human Resources Authority and the Zayed Higher Organization for People of Determination. In 2020, ADCB invested in a new initiative called "The Bankers Programme" as a comprehensive plan developed in collaboration with ADGM Academy and Academy partner, The London Institute of Banking & Finance. New Emirati trainees were on-boarded through this programme which has been designed to develop and enhance the participant's knowledge and understanding of banking and finance, and to equip them with the skills required from a

modern banker. In 2021, the Group continued to invest in onboarding new Emiratis to The Bankers Programme. This programme takes an international perspective, looking at banking and finance products, services and processes from different angles in order to build strong business acumen and develop analytical skills early on.

In 2021, the Group commenced a new initiative: "The Retail Sales Specialist Programme", which was implemented in 2022. This initiative was developed in collaboration with ADGM & London Institute of Banking & Finance. It focuses on creating employment for UAE nationals in the retail banking industry, specifically within the sales sector. The overall objective of the programme is to train fresh graduates to be specialised in sales and supporting them in being assigned a sales role, in order to create confident and skilled specialist bankers capable of delivering a superior service, thereby helping to build the Group's portfolio and develop opportunities through personal banking solutions.

The Group aims to continuously support the national initiatives of Emiratisation and invest efforts on this matter in the upcoming years.

## **LITIGATION**

There were a number of ordinary course legal proceedings pending against the Group as at 30 September 2023, the value of which was not material in the context of the Group's balance sheet. Based on the advice of the Group's legal advisers, executive management believes that no significant liability is likely to arise from these proceedings. Pending legal proceedings are reviewed on an ongoing basis and provisions are made at the end of each fiscal quarter, where appropriate.

## **INSURANCE**

The Group maintains various insurance policies and coverage. These include standard property insurance coverage for its assets (premises and contents), bankers' blanket bond coverage, general liability insurance, crime insurance coverage, cyber-crime and cybersecurity coverage, staff private medical and life insurance coverage and professional indemnity insurance coverage. The Group also maintains a limited terrorism insurance cover (based on commercial viability) for its assets in the UAE. The Group's assets are generally insured on a reinstatement cost basis. The Group's aim is to maintain market standard insurance coverage.

## MANAGEMENT

### BOARD OF DIRECTORS

ADCB's Board of Directors (the "**Board**") is the principal decision-making forum within ADCB. It has overall responsibility for the management and strategy of ADCB and is accountable for creating and delivering sustainable shareholder value through its guidance of ADCB's business. In particular, it sets the goals, strategies and policies of ADCB. The Board monitors the performance of ADCB's businesses and guides and supervises ADCB's executive management.

The Board has adopted a Corporate Governance Framework, which is based on international best practice, the Central Bank Corporate Governance Regulation & Standards, the Securities and Commodities Authority Corporate Governance Guide and the Basel Committee's Guidelines on Corporate Governance. The core principles of ADCB's Corporate Governance Framework comprise: (i) responsibility and the clear division and delegation of authority; (ii) accountability in the relationships between ADCB's senior management and the Board and between the Board and the shareholders and other stakeholders; (iii) transparency and disclosure to enable stakeholders to assess the Group's financial performance and condition; and (iv) fairness in the treatment of all stakeholders.

The Board members are appointed or elected by ADCB's shareholders. All directors of the Board are non-executive directors. The roles of the Chairman and the GCEO are separate and distinct, and there is clear division between their respective roles and responsibilities. The Chairman's main responsibility is to lead the Board with a view to ensuring the effective engagement and contribution of all directors, so that the Board may fully discharge its legal and regulatory responsibilities. The Board appoints the GCEO and specifies his powers and authority. The day-to-day management of ADCB has been delegated by the Board to the GCEO, who is assisted by the management executive committee ("**MEC**"). The GCEO, assisted by the MEC, is responsible for controlling and monitoring ADCB's business on a day-to-day basis, recommending strategy to the Board, leading senior management and implementing the Board's strategic and operational decisions.

All directors are required to seek reappointment or re-election by the shareholders every three years. In the event that a vacancy arises, the Board is permitted to elect any individual nominated to fill a vacancy, but any director so appointed must seek confirmation by the shareholders at the next annual general assembly. The Bank's major shareholder, One Hundred and Fourteenth Investment Company Sole Proprietorship LLC, a wholly-owned Mubadala subsidiary, has the right to elect a percentage of the Board that is proportionate to its holding of ADCB's share capital.

Any candidate for appointment as a director must first be considered and recommended by the Board Nomination, Compensation, Human Resources and Governance Committee ("**NCHRG Committee**"), in accordance with ADCB's Director Selection Policy, which includes appropriate criteria for the selection, appointment and re-election of directors, in accordance with applicable regulations. All candidates must be pre-approved by the Central Bank. Amongst other things, the NCHRG Committee will consider whether the skills held by the candidate director are suitable. Where necessary, the NCHRG Committee will also consider whether the candidate director meets ADCB's and local regulators' criteria for independence. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the Board meeting.

The Board is committed to supporting gender diversity. As a result, 18 per cent. of Board members are female, which is above the local regulatory requirement.

Detailed below are the names, positions and brief biographical information of each member of the Board as at the date of this Prospectus.

<u>Position</u>	<u>Name, background and other positions</u>
<b>Chairman of the Board Independent, Non-Executive Director</b>	<b>H.E Khaldoon Khalifa Al Mubarak</b>  H.E. Khaldoon Khalifa Al Mubarak is the Managing Director & Group Chief Executive Officer of Mubadala Investment Company PJSC, responsible for aligning Mubadala with Abu Dhabi's economic diversification efforts. Beginning his career at the Abu Dhabi National Oil Company, H.E. Al Mubarak held a number of positions

<b>Position</b>	<b>Name, background and other positions</b>
	<p>at Tawazun Economic Council, formerly known as UAE Offsets Group, before assuming his current portfolio of responsibilities. H.E. Khaldoon Khalifa Al Mubarak holds a number of UAE Government and Abu Dhabi Government responsibilities, including: a Member of the Abu Dhabi Executive Council since 2006; a Founding Member of Abu Dhabi's Supreme Council for Financial and Economic Affairs; the Presidential Special Envoy to China since 2018; and the Founding Chairman of the Abu Dhabi Executive Affairs Authority, which has provided strategic policy advice to the Chairman of the Abu Dhabi Executive Council since 2006. He has a Bachelor's degree in Economics &amp; Finance from Tufts University, USA.</p> <p><u>External Appointments as at 31 December 2022</u></p> <ul style="list-style-type: none"> <li>- Abu Dhabi Executive Affairs Authority, Chairman (2006), UAE</li> <li>- Emirates Nuclear Energy Corporation, Chairman (2009), UAE</li> <li>- Emirates Global Aluminium PJSC, Chairman (2014), UAE</li> <li>- City Football Group Limited, Chairman (2008), UK</li> <li>- Abu Dhabi Executive Council, Member (2006), UAE</li> <li>- UAE Supreme Council for Financial &amp; Economic Affairs, Member (2020), UAE</li> <li>- Abu Dhabi National Oil Company, Member (2021), UAE</li> <li>- G42 Holding Limited, Member (2020), UAE</li> <li>- Abu Dhabi Investment Council Company PJSC, Chairman (2022), UAE</li> </ul>
<p><b>Vice-Chairman of the Board Independent, Non-Executive Director</b></p>	<p><b>H.E Hussain J Al Nowais</b></p>
<p><i>Chairman of NCHRG Committee</i></p>	<p>H.E. Hussain Jasim Naser Al Nowais joined the ADCB Board in 2019. He is the Founding Member and Chairman of AlNowais Investments.</p>
	<p>His H.E. Hussain J Al Nowais holds a Bachelor's degree in BSc Business Finance from Lewis &amp; Clark College, USA.</p>
	<p><u>External Appointments as at 31 December 2022</u></p>
	<ul style="list-style-type: none"> <li>- AMEA Power LLC, Chairman (2016), UAE</li> <li>- AlNowais Investments LLC, Chairman (2016), UAE</li> <li>- Rotana Hotels and Real Estate Investment, Member (2006), UAE</li> </ul>
<p><b>Independent, Non-Executive Director</b></p>	<p><b>Mr. Carlos Obeid</b></p>
<p><i>Chairman of BRC</i></p>	<p>Carlos Obeid was appointed to the Board of Directors of ADCB in 2019. Carlos Obeid is the Group Chief Financial Officer of Mubadala Investment Company PJSC and is responsible for managing the organisation's Business Finance including Treasury and Investor</p>
<p><i>Member of BEC</i></p>	



<b>Position</b>	<b>Name, background and other positions</b>
<i>Member of NCHRG Committee</i>	<p>Relations, Financial Planning and Business Performance, and Financial Governance and Reporting.</p> <p>Before joining Mubadala, Carlos Obeid worked with the UAE Offset Program Bureau, where he led a wide range of initiatives including privatisation, utilities and financial services.</p> <p>Carlos holds a Bachelor's degree in Electrical Engineering from American University of Beirut and a Master's degree in Business Administration from INSEAD.</p> <p><i>External Appointments as of 31 December 2022:</i></p> <ul style="list-style-type: none"> <li>– Mubadala Infrastructure Partners Limited, Chairman (2008), UAE</li> <li>– Cleveland Clinic Abu Dhabi LLC, Non-Executive Director (2010), UAE</li> <li>– Global Foundries Inc, Non-Executive Director (2012), USA</li> <li>– Mubadala Capital, Non-Executive Director (2021), UAE</li> </ul>
<b>Independent, Non-Executive Director</b>	<p><b>Sheikh Zayed Bin Suroor Al Nahyan</b></p> <p>Sheikh Zayed was appointed as a Director of ADCB in 2021, having gained experience working at National Bank of Abu Dhabi and Morgan Stanley. Sheikh Zayed holds a Bachelor's degree in Business Management from the University of Sussex, UK and a Master's degree in Computer Science from University College London, UK.</p> <p><i>External Appointments as of 31 December 2022:</i></p> <ul style="list-style-type: none"> <li>– Al Ain Ahlia Insurance Company PJSC, Board Member (2022)</li> </ul>
<b>Independent, Non-Executive Director</b>	<p><b>Saeed Mohamed Hamad Almazrouei</b></p> <p>Saeed Mohamed Hamad Almazrouei was appointed to the ADCB Board of Directors in 2019. Saeed Mohamed Hamad Almazrouei is the Deputy Platform CEO, Direct Investments, at Mubadala Investment Company PJSC. In this role, he oversees platform wide activities, supports the delivery of the platform's investment strategy, manages the platform's capital allocation, ensures the successful implementation of capital deployment and monetization of transactions and assesses value, risks and expected returns.</p> <p>Before his current position, Saeed Mohamed Hamad Almazrouei was Deputy Chief Financial Officer at Mubadala Investment Company PJSC, where he oversaw the group-wide finance function and delivery of the company's growth strategy, supporting various acquisitive transactions and asset monetization. He was also responsible for all Treasury activities including Mubadala's bond issuances and project financing.</p> <p>He holds a Bachelor's degree in Finance from Suffolk University, USA, a Master's degree in International Securities Investment and Banking from University of Reading, UK and a Masters in National Security and Strategic Studies from National Defence College, UAE.</p>
<i>Chairman of BEC</i>	
<i>Member of NCHRG Committee</i>	

<b>Position</b>	<b>Name, background and other positions</b>
	<p><i>External Appointments as of 31 December 2022:</i></p> <ul style="list-style-type: none"> <li>– Abu Dhabi Investment Council Company PJSC, Non-Executive Director (2022), UAE</li> <li>– Edge Group, Non-Executive Director (2022)</li> <li>– Nova Chemicals Corporation, Non-Executive Director (2021)</li> <li>– Abu Dhabi Retirement Pension &amp; Benefits Fund</li> <li>– (Operating Company), Non-Executive Director (2019), UAE</li> <li>– CEPSA - Compañía Española de Petróleos S.A., Non-Executive Director, Non-Executive Director (2019), Spain</li> <li>– OMV AG, Non-Executive Director (2021), Austria</li> <li>– International Petroleum Investment Company PJSC, Non-Executive Director, UAE</li> <li>– Yas Holding LLC, Non-Executive Director (2021), UAE</li> </ul>
<p><b>Independent, Non-Executive Director</b></p> <p><i>Member of BEC</i></p> <p><i>Member of BRC</i></p>	<p><b>Mr. Khaled Haji Al Khoori</b></p> <p>Khaled H. Al Khoori was elected by ADCB shareholders to join the Bank's Board of Directors in April 2012. Since January 2006, he has been the Chairman of Orient House for Development and Construction LLC.</p> <p>Khaled holds a Bachelor's and Master's degree in Civil Engineering from Northeastern University, USA.</p> <p><i>External Appointments as of 31 December 2022:</i></p> <ul style="list-style-type: none"> <li>– Abu Dhabi National Hotels PJSC, Non-Executive Director (2009), UAE</li> </ul>
<p><b>Non-Executive Director</b></p> <p><i>Member of BAC</i></p>	<p><b>Mr. Khalid Deemas Alsuwaidi</b></p> <p>Khalid Deemas Alsuwaidi was elected to the Board of Directors in March 2009. He has more than 16 years of banking experience, having held senior management positions at National Bank of Abu Dhabi and First Gulf Bank and is the Group CEO of Das Holdings.</p> <p>Khalid Deemas holds a Bachelor's degree in Computer Information Systems from Bethune Cookman College, USA and a Master's in Business Administration (minor in Management Information Systems and Strategic Planning) from Widener University, USA.</p> <p><i>External Appointments as of 31 December 2022:</i></p> <ul style="list-style-type: none"> <li>– Abu Dhabi National Takaful Company PSC, Vice-Chairman (2008), UAE</li> <li>– Manazel Group, Non-Executive Director (2009), UAE</li> </ul> <p><b>Mrs. Aysha Ahmed Al Hallami</b></p>

<b>Position</b>	<b>Name, background and other positions</b>
<p><b>Independent, Non-Executive Director</b></p> <p><i>Chairlady of BAC</i></p> <p><i>Member of BEC</i></p> <p><i>Member of BRC</i></p>	<p>Aysha Al Hallami was appointed to the Board of Directors in April 2013. In June 2021, Aysha moved to the Abu Dhabi Investment Authority's newly created Core Portfolio Department to help develop its comprehensive strategy.</p> <p>Aysha holds a Bachelor's degree in Business Sciences, Finance from Zayed University, UAE and a Master's degree in Finance &amp; Banking from Cass Business School, City University, UK. She is also a CFA holder and has a degree in Private Equity and Venture Capital from Harvard Business School, USA.</p> <p>Aysha Al Hallami does not hold any external directorships as of 31 December 2022.</p>
<p><b>Independent, Non-Executive Director</b></p> <p><i>Member of BAC</i></p>	<p><b>Sheikh Sultan Bin Suroor Al Dhaheri</b></p> <p>Sheikh Sultan bin Suroor Al Dhaheri has more than 10 years' experience in business and marketing and strong commercial knowledge. He was elected to the Board of Directors of ADCB in March 2009 until his resignation in March 2019.</p> <p>Sheikh Sultan bin Suroor Al Dhaheri was elected again to the Board of Directors in 2022.</p> <p>Sheikh Sultan bin Suroor Al Dhaheri does not hold any external directorships as of 31 December 2022.</p>
<p><b>Independent, Non-Executive Director</b></p> <p><i>Member of BAC</i></p> <p><i>Member of BEC</i></p>	<p><b>H.E. Amr Al Menhali</b></p> <p>H.E. Amr Al Menhali was appointed to the ADCB Board of Directors in 2022.</p> <p>H.E. Amr Al Menhali has a proven executive management track record with over 22 years of experience across a number of leadership positions in the financial sector such as the CEO of Al Hilal Bank (previously) and Waha capital. A seasoned banker with strong leadership skills across all facets of the business and with extensive expertise in strategy, finance, risk, investment, credit and corporate governance. He has led several strategic transformation projects, developing high-performance businesses to achieve sustainable growth.</p> <p>He is currently part of the senior management team in the Crown Prince Court, serving as the executive director of the financial affairs, overseeing the entire financial activities and strategic initiatives.</p> <p>Previously he had held various board membership in several regional and international publicly listed companies across various sector such as finance, oil &amp; gas, real estate and healthcare (UAE Banks Federation, GFH Financial Group, NESR (NASDAQ listed), SDX Energy (AIM listed), Deem Finance and Abu Dhabi Finance. In addition, he also served as Chairman of Waha Investment PJSC, Waha Land LLC and Anglo Arabian Healthcare LLC). He has completed a General Management programme from Harvard Business School and holds a Bachelor's degree in Business Administration with Honours.</p>

<b>Position</b>	<b>Name, background and other positions</b>
	<i>External Appointments as of 31 December 2022:</i>
	– Abu Dhabi Housing Authority, Board Member, UAE
	– Investment Committee in Sandoq Al Watan, Member, (UAE)
<b>Independent, Non-Executive Director</b>	<b>Fatima Al Nuaimi</b>
<i>Member of NCHRG</i>	Fatima Al Nuaimi was appointed to join the ADCB Board of Directors in 2022.
<i>Member of BRC</i>	Fatima Al Nuaimi joined Mubadala in 2011 and is the Co-Head of Mubadala Capital Solutions, where she oversees the permanent capital strategy, Abu Dhabi Catalyst Partners and separately managed accounts. She has over eleven years of experience in funds and direct private equity investments. Some of the recent deals she led include investment in Cegid, France's leading software provider acquisition of KMAC enterprises, the second largest Taco Bell franchisee in North America; Mubadala's \$2.5 billion partnership with Silverlake including both an investment in the Silverlake General Partner and an anchor commitment to a new Long-Term Capital Fund. Fatima graduated Magna cum laude from the Higher Colleges of Technology with a Bachelor's in Business Administration. She is also a CFA and CAIA charter holder.
	<i>External Appointments as of 31 December 2022:</i>
	– K-MAC Enterprises, Board Member, USA

The business address of each member of the Board is P.O. Box 939, Abu Dhabi, United Arab Emirates.

Certain members of the Board, their families and companies of which they, or members of their families, are principal owners, or of which they are employees, are customers of ADCB in the ordinary course of business. The transactions with these parties are made at arm's length and on substantially the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties.

Except as disclosed in the next paragraph, no member of the Board named in the table above has any actual or potential conflict of interest between his duties to ADCB and his private interests and/or other duties.

The directors of ADCB have outside interests in entities other than ADCB, including employment and/or directorships with third parties (as set out underneath their names in the table above). Given the wide scope of ADCB's operations, such entities have banking and/or other commercial relationships with ADCB. Some Board members also have personal banking relationships with ADCB. As the directors are involved in ADCB's decision-making process and have knowledge of ADCB's products and services, including the commercial terms thereof, a potential conflict of interest may arise. However, ADCB has established a Directors' conflict of interest policy and a related party transactions policy, together with a procedure whereby the relevant director is excluded from voting at Board meetings on issues which relate to the relevant employer's and/or other connected entity's dealings with ADCB.

Under the Commercial Companies Law, all directors are liable to ADCB, its shareholders and third parties for any acts of fraud, abuse of powers, violation of laws, violation of its articles of association or for mismanagement.

The table below sets out the number of shares held by each director as at 30 September 2023:

<b>Director</b>	<b>30 September 2023</b>
H.E. Khaldoon Khalifa Al Mubarak.....	463,828
H.E Hussain J Al Nowais.....	-

<b>Director</b>	<b>30 September 2023</b>
Mr. Carlos Obeid.....	-
Mr. Saeed Mohamed Almazrouei.....	-
Mr. Khaled Haji Al Khoori .....	1,782,422
Sheikh Zayed Bin Suroor Al Nahyan .....	1,914,456
Mr. Khalid Deemas Al Suwaidi .....	61,842
Mrs. Aysha Al Hallami .....	-
Sheikh Sultan Bin Suroor Al Dhaheri <sup>(1)</sup> .....	5,237,993
H.E. Amr Al Menhali <sup>(1)</sup> .....	-
Mrs. Fatima Al Nuaimi (1).....	-

<sup>(1)</sup> Board member appointed or elected at the AGM on 14 March 2022.

## **Board Committees**

In line with the Central Bank's Corporate Governance Regulation and Standards, two new Board committees were created in 2022 to replace the Board Risk & Executive Committee. These two Board committees are named the Board Risk Committee (the "**BRC**") and the Board Executive Committee (the "**BEC**").

As such, the Board has established four Board committees: (i) the Board Audit Committee; (ii) the Board NCHRG Committee; (iii) the BRC; and (iv) the BEC, each of which plays an important role in governing ADCB's operations and in establishing and co-ordinating the policies of ADCB.

### ***Board Audit Committee***

The Board Audit Committee (the "**BAC**") currently consists of four non-executive directors.

The primary responsibilities and functions of the BAC are to provide assistance to the Board to fulfil its duties and to ensure and oversee:

- the integrity of ADCB's financial statements;
- the qualifications, independence, performance and remuneration of the Group's external auditors;
- the independence and performance of ADCB's internal audit department, internal Shari'ah audit department and internal compliance department;
- the Group's internal control framework taking into account the Group's risk profile;
- Compliance with applicable legal and regulatory requirements, including consumer protection and internal policies; and
- ADCB's internal controls, including controls over financial reporting and disclosure.

The BAC plays a predominantly advisory role, reporting its recommendations to the Board for final approval. However, in certain limited circumstances, decisions may be taken by BAC, which are binding on the Board (for example, it may approve the terms of engagement of the external auditor without Board approval).

The BAC is scheduled to meet at least nine times in 2023 and provides regular reports to the Board.

### ***Board Nomination, Compensation, Human Resources and Governance Committee***

The NCHRG Committee currently consists of four non-executive directors.

The NCHRG Committee is responsible for:

- ensuring the appropriate composition and skillset of the Board and the Board committees;
- ensuring the appropriate diversity of the Board;
- ensuring independent directors remain independent on a continuous basis;

- selection and appointment of directors, including induction of new directors;
- orientation and training sessions for new and existing directors;
- succession planning for directors and executive management;
- selection and appointment of executive management;
- assessing the performance of the Board, Board committees, individual directors and executive management, and overseeing the implementation of recommendations arising from performance reviews;
- remuneration policies for executive management and the Board, and ADCB's remuneration and incentive plans;
- developing ADCB's corporate governance framework, policies and procedures;
- compliance with regulatory requirements relating to corporate governance;
- disclosure, transparency and publication of corporate governance information; and
- ensuring the implementation of ADCB's corporate culture and values.

In determining the composition of the Board, the NCHRG Committee considers the knowledge, skills and experience which are anticipated to be required by the Board. No director may participate in any decision regarding his/her own appointment or remuneration. The NCHRG Committee is authorised to take certain appointment and remuneration decisions which may bind the Board. In all other cases, recommendations are made to the Board for final approval.

The NCHRG Committee is scheduled to meet at least four times in 2023 and provides regular reports to the Board.

#### ***Board Risk Committee***

The BRC currently consists of four non-executive directors.

The BRC is responsible for:

- the Group's risk appetite and strategy;
- the development and implementation of the Group's risk governance framework;
- the alignment of the Group's strategic objectives with its risk profile;
- overseeing the risks in the Group's asset portfolios;
- the development of risk measurement models, management tools and monitoring the effectiveness of such tools;
- the development and implementation of risk management strategies and limits;
- compliance with regulatory requirements relating to risk management;
- the Group's public reporting on risk management matters; and
- overseeing the independence and effectiveness of the Risk Management departments throughout the Group.

The BRC is scheduled to meet at least six times in 2023 and provides regular reports to the Board.

### ***Board Executive Committee***

The BEC currently consists of five non-executive directors.

The BEC is responsible for:

- the development and execution of the Group's business plan as per the strategy approved by the Board;
- the ESG strategy and implementation;
- the material aspects of the business of the Group;
- reviewing and approving credit commitments;
- guidance and proposals for acquisitions, disposals and joint ventures and other value creation opportunities, including establishment, closure or exit of any international operations; and
- the annual budget for the Group including budgets for each business line and operating division.

The BEC provides oversight with respect to the development and implementation of the Group's business and strategic plans and the risks associated with such plans.

The Board has delegated certain credit and lending authorities to management, at a level that the BEC considers to be reasonable and prudent.

The BEC is scheduled to meet twelve times in 2023 and provides regular reports to the Board.

### **EXECUTIVE MANAGEMENT**

As at the date of this Prospectus, the executive management of ADCB includes:

<b>Position</b>	<b>Name</b>
Group Chief Executive Officer .....	Mr. Ala'a Eraiqat
Group Chief Financial Officer.....	Mr. Deepak Khullar
Group Chief Risk Officer .....	Mr. Paul Keating
Group Chief Operations Officer.....	Mr. Mohammed Al Jayyash
Group Chief Credit Officer .....	Mr. Tilak Silva
Group Treasurer .....	Mr. Robbert Muller
Group Chief Internal Auditor .....	Mr. Abdirizak Mohamed
Group Head – Corporate & Investment Banking Group.....	Mr. Ludovic Nobili
Group Head – Retail Banking Group .....	Mr. Deepak Rochlani
Group Head – Human Resources .....	Mr. Ali Darwish
Group General Counsel.....	Mrs. Jane Livingston
Group Chief Compliance Officer .....	Mrs. Rasha Mortada

Detailed below are the names, ages, positions and brief biographical information of each member of ADCB's executive management as at the date of this Prospectus.

<b>Position</b>	<b>Name, background and other positions</b>
<b>Group Chief Executive Officer</b>	<b>Mr. Ala'a Eraiqat</b>  Mr. Eraiqat joined ADCB in January 2004 and held various senior posts before assuming the role as Group Chief Executive Officer in February 2009. He has been a banker since 1991 and previously held senior positions at Citibank and Standard Chartered Bank, among others.  His responsibilities extend to being the Chairman of the Board of Directors of Al Hilal Bank and chairing the following subsidiaries and committees of ADCB, among others: Abu Dhabi Commercial Properties (ADCP), Abu Dhabi Commercial Engineering Services (ADCES), the ADCB

<b>Position</b>	<b>Name, background and other positions</b>
	<p>Management Executive Committee (MEC), and the ADCB Management Credit Committee (MCC).</p> <p>Ala'a Eraiqat, as the Group Chief Executive Officer, is responsible for leading and guiding ADCB and its subsidiaries in promoting the long-term organisational development, while ensuring effective implementation of strategic, business growth and operational plans to achieve ADCB's targets and ensure that the mission and values are met pursuant to the shareholder's objectives and target expectations.</p> <p><i>External Appointments as of 31 December 2022:</i></p> <ul style="list-style-type: none"> <li>– Board Member – Abu Dhabi Chamber of Commerce and Industry (ADCCI)</li> <li>– Board Member – Abu Dhabi National Hotels PJSC (ADNH)</li> <li>– Board Member – Emirates Institute of Banking and Financial Studies (EIBFS)</li> </ul>
<b>Group Chief Financial Officer</b>	<p><b>Mr. Deepak Khullar</b></p> <p>Mr. Khullar was appointed ADCB's Group Chief Financial Officer in 2008. In this role, Mr. Khullar oversees the Group Finance function (Financial Planning, Business Performance, Governance and Reporting), Investor Relations, Taxation, Economics, Group Strategy, Strategic Sourcing and Procurement and ADCB's overall ESG strategy and delivery. He previously spent 15 years with Standard Chartered Bank in the Middle East and in Korea in a variety of senior positions. Prior to that, he worked with Ernst &amp; Young and PricewaterhouseCoopers in their assurance, advisory and technical services and training practices in the Middle East and India.</p> <p>He is an alumnus of the University of Delhi and a Fellow of the Institute of Chartered Accountants of India, and a Fellow Member of the Association of Corporate Treasurers UK (FCT).</p> <p>Deepak Khullar was appointed as a Board Director of Al Hilal Bank in 2019 and also chairs the Al Hilal Bank Board Risk Committee.</p>
<b>Group Chief Risk Officer</b>	<p><b>Mr. Paul Keating</b></p> <p>Mr. Keating was appointed as ADCB's Group Chief Risk Officer in 2018. He previously worked for the Australia and New Zealand Banking Group Limited ("ANZ") for over 30 years, where he served in various capacities across the world. His last role with ANZ was as Chief Risk Officer and Head of Credit for ANZ's Pacific division, with responsibility for 11 countries. Mr. Keating is responsible for Operational Risk, Market Risk, Fraud Risk, Data Management, Credit Policy, Islamic Internal Control and Information Security. He attends various management and Board sub-committees to provide an enterprise-wide risk management perspective.</p>



<b>Position</b>	<b>Name, background and other positions</b>
	<p>Bachelor of Commerce and Administration (Victoria University, New Zealand)</p> <p>Post Graduate Diploma in Banking Management (Massey University, New Zealand)</p> <p><i>External Appointments as of 31 December 2022:</i></p> <p>– Member – UAE Banking Federation Risk Committee</p>
<b>Group Chief Operations Officer</b>	<p><b>Mr. Mohammed Al Jayyash</b></p> <p>Mr. Al Jayyash was appointed as ADCB's Acting Group Chief Operations Officer in 2019 and was appointed as Group Chief Operations Officer in 2020. He has held senior operational management positions at ADCB, including Group Chief Service Officer and Branch Operations Manager. He holds Board seats with several ADCB subsidiary companies, and is the Chairman of ITMAM Services LLC and Vice-Chairman of Abu Dhabi Commercial Engineering Services LLC and Abu Dhabi Commercial Properties LLC. Mr. Al Jayyash has over 15 years of experience in improving customer experience, ensuring regulatory compliance and delivering capabilities for growth.</p> <p>Bachelor's Degree in Business Administration (Al Ghurair University, UAE)</p> <p>Post Graduate Certificate in Management (Ashridge Executive Education HULT, United Kingdom)</p> <p>Banking Diploma (Emirates Institute for Banking and Financial Studies, UAE)</p> <p><i>External Appointments as of 31 December 2022:</i></p> <p>– Chairman – Emirates Digital Wallet</p>
<b>Group Chief Credit Officer</b>	<p><b>Mr. Tilak Silva</b></p> <p>Mr. Silva was appointed as ADCB's Group Chief Credit Officer in 2018. He has been with ADCB for over 42 years, focusing on credit underwriting, remedial risk and restructuring. Prior to joining ADCB, Mr. Silva worked for Hatton National Bank in Sri Lanka, undertaking different roles within the bank's credit group.</p>
<b>Group Treasurer</b>	<p><b>Mr. Robbert Muller</b></p> <p>Mr. Robbert Muller joined ADCB in 2023 as Group Treasurer. Mr. Muller has over 25 years of banking experience, having previously worked for Rabobank, where he assumed several positions across Netherlands (HQ), USA, and Hong Kong. His last position at Rabobank was Head of Group Treasury where he oversaw the Treasury function across 12 locations globally and took on important steering roles in several management committees at a Group level.</p>
<b>Group Chief Internal Auditor</b>	<p><b>Mr. Abdirizak Mohamed</b></p>

<b>Position</b>	<b>Name, background and other positions</b>
	<p>Mr. Mohamed has been ADCB's Group Chief Internal Auditor since 2006, responsible for covering ADCB and all of its subsidiaries, having previously worked at the NASDAQ Stock Market, NASD (FINRA) and OFHEO (FHFA). He has more than 30 years of financial industry experience with leading global and local institutions that spans capital markets management, accounting policy/applications, examinations and auditing, risk management, regulatory oversight, and corporate governance. He is the former Chairman and current member of the UAE Banking Federation Audit Committee, and over the years served/continues to serve as an independent Audit Committee member of various Abu Dhabi-based companies.</p> <p>Mr. Mohamed is a Certified Public Accountant and holds a Master's degree from the George Washington University in Washington, DC and a Bachelor's degree from the University of Washington in Seattle, WA.</p>
<p><b>Group Head – Corporate &amp; Investment Banking Group</b></p>	<p><b>Mr. Ludovic Nobili</b></p> <p>Mr. Nobili was appointed as Group Head of Corporate &amp; Investment Banking Group at ADCB in 2020. Prior to that, he managed ADCB's investment banking activities. He joined ADCB in 2008 from Citigroup in London. He is a senior investment banker with over 20 years' experience. In 2000, Mr. Nobili started his investment banking career in the securitisation team of Credit Agricole Indosuez, London, after which he moved to Citigroup, where he focused on corporate securitisation. During his time in Europe, Mr. Nobili was instrumental in originating and structuring complex and high profile transactions. In his current role, Mr. Nobili is responsible for Cash Management, Trade Finance, Corporate Finance and Investment Banking across the Group. He also leads ADCB's principal finance initiatives.</p> <p>Ludovic is an alumnus of Université Paris-Sorbonne.</p>
<p><b>Group Head – Retail Banking Group</b></p>	<p><b>Mr Deepak Rochlani</b></p> <p>Mr. Rochlani joined ADCB in 2004. He has over 25 years' experience in Retail Banking and Financial Services. Mr. Rochlani overlooks the retail banking franchise which includes product management and the distribution network including branches, sales and relationship management. He is spearheading the digital transformation of the retail bank. Prior to that, he held several positions in product &amp; marketing management at GE Capital and IDBI Bank in India.</p> <p>He holds a Bachelor's degree in Engineering from University of Bombay, India and holds a post graduated diploma in Business Administration and is a certified financial analyst from ICFAI business school, India.</p>
<p><b>Group Head – Human Resources</b></p>	<p><b>Mr. Ali Darwish</b></p> <p>Mr. Darwish joined ADCB in 2010 and leads the Human Resources Group. He has a wealth of experience in the</p>

<b>Position</b>	<b>Name, background and other positions</b>
	banking industry that extends for more than 20 years working for leading financial institutions in the UAE.
<b>Group General Counsel</b>	<p><b>Mrs. Jane Livingston</b></p> <p>Mrs. Livingston is an English qualified solicitor who practiced law in the City of London prior to moving to Abu Dhabi in 2007. She has more than 20 years of legal experience covering a broad range of banking, finance, corporate and commercial matters.</p> <p>She holds a Bachelor's degree in Law from University of Essex, United Kingdom.</p>
<b>Group Chief Compliance Officer</b>	<p><b>Mrs. Rasha Mortada</b></p> <p>Mrs. Mortada was appointed as ADCB's Group Chief Compliance Officer in 2021, having been with ADCB since 2006. She has over 25 years of experience in the banking industry with leading global and local institutions, with over 18 years of experience in the compliance field covering Regulatory Compliance, Financial Crime, and Conduct Compliance across all business lines. Prior to joining ADCB, Rasha worked for Citibank UAE, undertaking different roles within Compliance.</p> <p>Mrs Mortada is a Certified Anti-Money Laundering Specialist (CAMS).</p> <p>She holds a Bachelor's degree in Banking and Finance from Lebanese American University, Beirut, an International Diploma in Compliance from the International Compliance Association and a Fintech certification from Harvard University, USA.</p>

The business address of each member of the executive management is P.O. Box 939, Abu Dhabi, United Arab Emirates.

No member of the executive management of ADCB has any actual or potential conflict of interest between his duties to ADCB and his private interests and/or other duties.

### **Executive Management Committees**

Day-to-day management is co-ordinated by the MEC, which oversees all other management committees and working groups. The MEC has delegated certain responsibilities to its reporting committees.

#### ***Management Executive Committee***

The Board reviews and approves the MEC's terms of reference. The Management Executive Committee ("**MEC**") reports directly to the Board.

The MEC is the highest management level authority overseeing matters relating to corporate organisation, strategy recommendations, finance and operations. Unless otherwise stated in this Prospectus, all management committees report to the MEC, which has full authority to review and reorganise the composition and terms of reference of the management committees and working groups.

The MEC is composed of members of ADCB's executive management., whose appointments are approved by the NCHRG Committee and meets on a weekly basis.

The responsibilities of the MEC include the following:

- establishing the organisational structure for management and management committees;
- implementing strategy set by the Board and recommending strategy and policy decisions;
- recommending ADCB's annual budget and funding plan;
- approving key performance indicators for each business line;
- approving expenditures, up to certain delegated limits set by the Board;
- approving the establishment or sale of branches, agencies, joint ventures and subsidiaries and appointments of directors to subsidiaries;
- approving debt-funding issues, hedging and investments, up to certain delegated limits set by the Board;
- approving recovery settlements and write-offs, up to certain limits set by the Board; and
- approving ADCB's policies, excluding those falling within the Board's responsibility.

#### ***Management Risk Committee***

The Management Risk Committee (the "MRC") is responsible for risk management in general, ADCB's risk appetite, risk policies and portfolio updates, and makes recommendations to the Board and/or the BRC, as appropriate, on risk strategy matters.

The MRC reports directly to the MEC and the MEC reviews and approves the MRC's terms of reference.

#### ***Management Credit Committee***

The Management Credit Committee (the "MCC") is responsible for appraising credit decisions within the limits that have been sub-delegated from the MEC, and guides the Board and/or the BEC, as appropriate, on credit exposures.

The MCC reports directly to the MEC and the MEC reviews and approves the MCC's terms of reference.

#### ***Assets and Liabilities Committee***

The ALCO is responsible for reviewing and monitoring all major investments and strategic commitments and developing policies relating to the management of all assets and liabilities (such as balance sheet structuring, funding, pricing, hedging, investing and the setting and monitoring of liquidity ratios).

The ALCO seeks to manage assets and liabilities in order to enhance profitability and protect ADCB from any adverse consequences that may result from extreme changes in market conditions and other financial risks.

The ALCO's primary functions include: (i) managing ADCB's wholesale debt lending and deposit liabilities; (ii) the formulation and implementation of market risk and liquidity risk policies and strategies for addressing market and liquidity risks; (iii) monitoring whether market risks and liquidity risks are identified, assessed, monitored, mitigated and controlled; (iv) the formulation and implementation of balance sheet structure policies and strategies for addressing issues relating to balance sheet structure; and (v) the purchase of assets within ADCB's treasury investment portfolio.

In carrying out these key functions, the ALCO:

- reviews ADCB's financial performance, economic reports and forecasts;
- reviews ADCB's balance sheet structure and evaluates the risk exposure and assesses its potential impact on the income statement;
- reviews interest rate trends, yields, cost of funds and margins;

- makes recommendations on strategic directions leading to changes in balance sheet composition to achieve a desired structure including: (i) asset allocation strategies; (ii) buying and selling of assets; (iii) changing liability structure and mix; (iv) balance sheet growth, structure and maturity; and (v) hedging;
- formulates policy guidelines on limits of exposure to liquidity and market risk (such as value-at-risk ("**VaR**"), liquidity ratios, large depositors, sources of funds, investment and other assets);
- reviews base lending rate or reference rate and its guidelines;
- reviews transfer pricing between business units and sets the overall direction and approval criteria for purchase and sale of investments; and
- classifies investments into held-for-trading, available-for-sale and held to maturity.

The ALCO reports directly to the MEC and the MEC reviews and approves the ALCO's terms of reference.

#### ***Management Recoveries Committee***

The Management Recoveries Committee is responsible for reviewing and approving settlements relating to certain impaired loans and advances to customers within the limits that have been set by the MEC. A matter is forwarded to the Management Recoveries Committee after the remedial risk department has attempted to recover the amount outstanding from the borrower and has either been unable to recover such amount or has provisionally agreed with the borrower to restructure the loan (see "*Risk Management – Collection Procedures*").

#### ***Capital Expenditure Committee***

The Capital Expenditure Committee (the "**CEC**") is ADCB's key governance forum for managing its capital investment portfolio. The primary function of the CEC is to consider, review and approve capital expenditure projects within the limits that have been sub-delegated from the MEC. The projects almost exclusively relate to new technology systems, system upgrades and real estate (specifically relating to improvements and acquisitions required to conduct ADCB's business and to execute its long term plans, for example, in respect of branches).

The CEC reports directly to the MEC and the MEC reviews and approves the CEC's terms of reference.

#### ***Financial Performance Management Committee***

The Financial Performance Management Committee (the "**FPMC**") is responsible for regularly reviewing and assessing the financial performance of ADCB's business lines against budget and strategic targets and identifying opportunities for revenue generation, cost control and optimisation of cost centres. In addition, the FPMC helps in shaping budget targets for the forthcoming year and has input into the medium term strategy process. The FPMC monitors and assesses the financial performance of ADCB's business lines within the bounds of ADCB's budget and strategy.

The FPMC reports directly to the MEC and the MEC reviews and approves the FPMC's terms of reference.

#### ***Model Risk Management Committee***

The Model Risk Management Committee ("**MRMC**") is responsible for:

- optimising the ability of models to support decision-making throughout the Bank;
- providing value-added decisions related to each step of the model life-cycle, ensuring that these decisions are transparent, justified and documented; and
- supporting the MCC in discharging its responsibilities with respect to model development, monitoring and validation.

The scope of the MRMC also covers all models used in risk, capital management and for stress testing, but excludes any models used within the business area for business development.

The MRMC reports directly to the MRC and the MRC reviews and approves the MRMC's terms of reference.

#### ***Group Sustainability Committee***

The Sustainability Committee ("SC") is responsible for recommending and implementing the Board and/or BEC approved Group sustainability strategy.

The SC reports directly to the MEC and the MEC reviews and approves the SC's terms of reference.

#### ***Management Compliance Committee***

The Management Compliance Committee ("CC") is responsible for (a) maintaining oversight on all regulatory matters, including those relating to Anti-Money Laundering and Combatting the Financing of Terrorism and Targeted Financial Sanctions examinations and regulatory matters covering all applicable regulators, (b) driving a compliance culture throughout ADCB, expediting closure of all due requirements, and ensuring clear visibility, ownership and accountability and (c) ensuring timely implementation of regulatory requirements and establishing a robust governance structure covering the regulatory landscape.

The CC reports directly to the MEC and the MEC reviews and approves the CC's terms of reference.

#### **Working Groups**

In addition to the foregoing standing management committees, from time to time the MEC establishes working groups tasked to handle specific issues or areas of focus.

### **OTHER MANAGEMENT FUNCTIONS**

#### **Audit Arrangements**

The external auditor is appointed annually by ADCB's shareholders. At the 14 March 2022 annual general meeting and, in line with applicable regulations and ADCB's External Auditor Selection Policy, KPMG was appointed as the external auditor of ADCB from the period commencing 1 January 2022 to 31 December 2022. KPMG replaced EY as ADCB's external auditor, who audited the Bank for the period commencing on 1 January 2020 and ending on 31 December 2021.

In addition, the BAC will make recommendations on the rotation of the external audit firm, or of the partner of the firm in charge of ADCB's audit, to facilitate the independence of the external auditor, in line with applicable regulations and ADCB's External Auditor Selection Policy.

The scope of an audit is agreed between the BAC and the external auditor. The external audit partner attends meetings of the BAC at which the financial statements are discussed and approved and as otherwise required. The BAC also periodically meets separately with ADCB's internal auditors and the external auditor in the absence of management.

Under the Abu Dhabi Statutory Auditor Appointment Rules, KPMG, as the current auditors of ADCB, will be due for rotation in 2026.

#### **Internal Controls**

ADCB's internal controls over financial reporting comprise processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles. ADCB's internal controls include policies and procedures that: (i) are designed to support the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ADCB; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles, and that receipts and expenditures of ADCB are being made only in accordance with authorisations of management and directors of ADCB; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of ADCB's assets.

**Disclosure Standards**

ADCB's corporate governance principles require ADCB to maintain high standards of disclosure and transparency. In line with this, ADCB has created a website in order to provide information to stakeholders. ADCB's web address is [www.adcb.com](http://www.adcb.com). Information on ADCB's website does not form part of, and is not incorporated by reference into, this Prospectus.

**Compensation**

In the year ended 31 December 2022, the total remuneration and Board of Directors' fees and expenses paid to the Board and executive management amounted to AED 139.0 million (for 26 persons), as compared with AED 88.0 million (for 22 persons) for the year ended 31 December 2021.

## RISK MANAGEMENT

### INTRODUCTION

Efficient and timely management of the risks inherent in the Group's business activities is critical to its financial soundness and profitability. Risk management involves identifying, measuring, monitoring and managing risks on a regular basis. The objective of risk management is to protect the Group's asset values and income streams in order to protect the interests of its shareholders and external fund providers, increase shareholder value and achieve a return on equity that is commensurate with the risks assumed. The risk management framework is integral to the operations and culture of the Group. The Group seeks to proactively manage risks within the Group's defined risk framework.

Ultimate responsibility for setting out risk appetite and effective management of risk rests with the Board. This is managed through the BRC, BEC and the BAC, which are responsible for effectively communicating that risk taking authority and policies from the Board to the appropriate business units.

The MEC has primary responsibility for implementing, overseeing and taking ownership for the enforcement of risk management strategy and internal control directives laid down by the Board and Board Committees. The management level committees also actively manage risk, particularly the ALCO, the CC, the MRC, the MRMC, and the MCC.

In January 2018, the Group reorganised its internal risk management function by separating the credit and risk functions into two separate groups with distinct responsibilities and reporting lines (with the credit group reporting to the Group's Group Chief Credit Officer ("**GCCO**") and the risk group reporting to the Group's GCRO). The GCRO reports independently to the BRC in respect of risk related matters and to the GCEO for administrative matters. The GCCO reports to the GCEO with full access to the BEC. This reorganisation was effected in order to align the Group's credit and risk functions with international best practice. In February 2021, the Group further reorganised its internal risk management function by separating the risk and compliance functions into two separate groups, with the Group's Chief Compliance Officer reporting directly to the GCEO with full access to the BAC.

The Group's risk management function is headed by the GCRO. The risk management function is independent of the origination, trading and sales functions to avoid compromising risk-reward decisions and to facilitate transparency of decision-making, in accordance with prescribed risk standards and policies. It exercises control over credit policy management; operational risk management; fraud risk management; treasury, market and liquidity risk management; internal *Shari'a* control; data management; and information security management.

In addition, the Group's GCCO oversees consumer risk management, credit approvals, credit operations and remedial account management.

In 2019, the Group appointed a Head of Data Management. The role is designed to help develop and embed the Group's principles for governing the management of its data. This role is particularly significant with the growth of the Group's digital internal and external channels, as well as its increased use of data analytics to serve customers better. In addition, the Head of Data Management is responsible for managing compliance with the UAE Federal Data Protection law, which brings in new regulations around general data protection to mirror the GDPR requirements introduced by the EU in May 2018.

The BAC provides assistance to the Board in the performances of the Board's duties and is responsible for overseeing the preparation of the Group's financial statements; the independence and performance of the Group's external and internal auditors; compliance with legal and regulatory requirements and internal policies; and internal control over financial reporting.

The internal audit group ("**IAG**") applies a systematic and disciplined approach to evaluating and improving the effectiveness of the Group's risk management, control and governance processes. The IAG reports directly to the BAC. The IAG consists of a team of auditors whose tasks are, among other things, to evaluate the quality of the Group's lending portfolio, the sufficiency of the Group's controls in operational processes and the integrity of the Group's information systems and databases. Through their audits, the IAG is also responsible for monitoring whether transactions undertaken by the Group are conducted in accordance with the Group's internal procedures, with a view to minimising the risk of fraudulent, improper or illegal practices (see further "*Decision-making – Execution – Internal audit group*" below).



## DECISION-MAKING

The Group's governance structure is headed by the Board, which has overall responsibility for risk management. The Group has a number of Board committees and executive management committees which, together with their other responsibilities, oversee and monitor the day-to-day risk management of the Group. These committees are responsible for the overall approval and implementation of the Group's risk management policies, while the formulation, monitoring and reporting of such policies and any exceptions thereto or any required corrective action, are the primary responsibility of the risk group that is headed by the GCRO.

The Group aims to reinforce a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor, report, mitigate and control risk exposures.

Risk governance at the Group is based on the following four control environment layers:

- involvement of the Board and sub-committees under the Board such as the BRC and BEC;
- executive management level committees for risk management such as the MCC, MRMC and the MRC;
- dedicated risk management groups, which are the credit group and the risk group, that independently evaluate the control systems within the Group; and
- independent assurance provided by internal and external audit to provide important feedback on the effectiveness of these processes.

The Board evaluates risk in co-ordination with ADCB's Board committees and executive management committees. For further information regarding ADCB's Board committees and executive management committees, see "*Management – Board of Directors – Board Committees*" and "*Management – Board of Directors – Executive Management – Executive Management Committees*".

## Execution

Execution of the Group's risk management system is co-ordinated by the credit group and the risk group which are headed by the GCCO and the GCRO, respectively. The risk group has the following sub-groups: credit policy management; operational risk management; fraud risk management; treasury, market and liquidity risk management; internal *Shari'a* control; data management; and information security management. The credit group has the following sub-groups: consumer risk management; credit; remedial risk management; and credit operations. The IAG also oversees and reviews the Group's risk management practices and the integrity of its information systems and databases. These groups operate under the supervision of the Board and its committees, the GCEO, the GCRO, the GCCO and the MEC.

### *Group Chief Risk Officer*

The GCRO is responsible for overall implementation of the risk objectives of the Group. His responsibilities are to:

- identify and plug gaps in the Group's risk infrastructure/framework and formulate plans to address the same;
- establish and nurture the independence of the risk function;
- guide and influence provisioning policies, risk strategy and credit/risk process changes;
- introduce process, policy and approach changes to energise risk awareness amongst front office business personnel and decision makers;
- continually align the risk organisation in line with market best practices;
- manage the Group's portfolio and associated risks to international best practice;
- establish a comprehensible risk culture encompassing all areas of risk; and

- manage the Group's data management and internal *Shari'a* control function.

The GCRO position was created in order to centralise the Group's risk management processes and reports to the BRC and, in respect of administrative matters, the GCEO. The Group segregates the risk and credit functions at the executive management. The GCRO is responsible for reviewing the Group's policies and procedures for managing exposure to credit, market and liquidity risk, operational, fraud, data privacy/data management and information security risks; and where relevant, applicability of the same for the Islamic business.

#### ***Treasury division***

Alongside its profit-generating and treasury management activities, the treasury division is responsible for (i) the day-to-day management of interest rate, liquidity and currency risk, (ii) monitoring the percentage of the Group's assets maintained in liquid assets and (iii) diversifying the Group's funding sources. The treasury division reviews any liquidity gaps, the Group's funding policies, the availability of contingent liquidity and projected future cash flows associated with significant investments/divestures and discusses these with the ALCO. The division reports directly to the GCEO and works closely with the treasury, market and liquidity risk management department.

#### ***Credit group***

The credit group is responsible for reviewing corporate credit, as well as HNWI applications and oversees the Group's corporate and private accounts credit portfolio. The credit group monitors the loans it has extended to corporate and private accounts borrowers in order to calculate potential losses and make provisions accordingly, classifies loans as impaired loans and advances to customers, refers certain impaired loans and advances to customers to the remedial risk department and generally controls the Group's exposure to credit risk. In addition, the credit group periodically reviews the Group's data collection procedures, restructuring methodologies, information management and credit evaluation practices. The GCCO oversees the credit administration unit, documentation unit, Special Assets Restructuring Department, Remedial Risk Department and the Consumer Risk Department.

#### ***Legal department***

Alongside its day-to-day activities of providing legal assistance and advice to the Group, the Group General Counsel and her team are responsible for managing the Group's legal risk by reviewing, monitoring and interpreting applicable legal and regulatory issues in the UAE and other relevant overseas jurisdictions.

#### ***Special assets restructuring department***

Credit files showing signs of deterioration, facing financial issues with multiple banks or otherwise raising complex issues are transferred by the MCC or Credit Department with a view to rescheduling or restructuring. However, if this is unsuccessful, the file is transferred to the remedial risk department for the initiation of legal action.

#### ***Remedial risk department***

The remedial risk department attempts to recover outstanding loans after such loans are classified as impaired and referred to the remedial risk department by the credit department. If the remedial risk department's attempts to conclude an amicable settlement are unsuccessful within a reasonable timeframe, legal action is initiated to recover the outstanding amount.

#### ***Consumer risk management department***

The consumer risk management department is responsible for overseeing the approval and verification of consumer credit, merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The consumer risk management department is also responsible for reviewing key performance and key risk indicators, changes in the economic environment, feedback on fraud and collections, customer service issues and competition.

### ***Treasury, Market and Liquidity Risk Management Department***

The treasury, market and liquidity risk management department is responsible for identifying, measuring, monitoring and controlling risks associated with on and off balance-sheet positions held by the Group. The department aims to reduce income performance volatility and to make the Group's market risk profile transparent to executive management, the Board and the Group's regulators. The function is also responsible for identifying, measuring, monitoring and controlling risks associated with investments, funding and liquidity positions of the Bank.

### ***Credit policy department***

The credit policy department is responsible for formulating the credit strategy and policy in terms of risk measurement and aggregation techniques, prudential requirements (including all credit and capital models), risk assessment and review, reporting requirements, risk grading and product and documentation guidelines. The department is also responsible for portfolio monitoring and maintenance of risk systems support. This department is the central co-ordination point for regulatory risk changes, liaison with external risk stakeholders such as rating agencies, for spearheading Basel III implementation and similar initiatives and for acting as the business partner in the implementation of risk systems.

### ***Operational risk department***

The operational risk department is responsible for the identification, measurement, monitoring, control and reporting of operational risks throughout the Group. This is the group support function responsible for establishing and implementing the operational risk framework throughout the Group, recording loss data, conducting risk self-assessment workshops, identifying and tracking key risk indicators and developing action plans to plug identified operational risk gaps. In addition, Business Continuity Management and planning sits within this department.

### ***Fraud risk department***

The fraud risk department is responsible for the identification, measurement, monitoring, control and reporting of fraud risks throughout the Group.

The centralised fraud risk management function is responsible for defining the Group's fraud risk management policy and managing the risk of fraud across the Group.

### ***Information and physical security governance department***

Information security risk arises from information leakage, loss or theft. The information and physical security governance department proactively identifies top organisational information and cyber security risks by continuously evaluating threats and by benchmarking information security controls against leading industry standards. The Group uses a combination of internal processes and third-party technological protections to identify, monitor and prevent traditional and emerging cyber-threats to its information and physical security. In particular, the Group employs comprehensive monitoring at multiple levels within the organisation to detect any potential cyber-attacks and has an established process to respond to cyber security incidents and threats. Additionally, the Group has implemented dedicated internal programmes to improve cybersecurity awareness levels within the organisation. The Group maintains an information risk heat map which plots the sufficiency of the Group's existing protection mechanisms against continuously evolving cyber threats. The information and physical security governance department uses knowledge from a variety of sources, such as published research, security forums, threat intelligence and regional events, to keep these mechanisms current and up-to-date with a view to ensuring that the Group is able to quickly and proactively respond to potential cyber security risks (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – The Group relies on third-party service and system providers in the operation of its business and is subject to potential cyber-attack*" below).

The Group's comprehensive security risk management programme covers classification of assets, identification of vulnerabilities and assessment of the risks of all internal assets and key third parties, which enables management to prioritise and mitigate information security risks. All critical systems and applications undergo regular security testing (including external third-party testing) to monitor effectiveness.

### ***Data management***

The data management department is responsible for establishing data as an enterprise asset that is complete, accurate and appropriately accessible through a set of defined business processes, disciplines and practices to help unlock business value. The centralised function is responsible for defining the Group's Data Strategy and Plans, Data Management, Master Data Management, Data Governance, Data Quality Controls, Data Compliance Advisory, Regulatory Responses & Reporting, and all Leadership, Change Management, and Data Policies related to Data Management.

### ***Internal audit group***

The IAG was established to provide an independent, objective assurance and consulting function. The IAG applies a systematic and disciplined approach to evaluating and improving the effectiveness of the Group's risk management, control and governance processes. The IAG reports directly to the BAC. The IAG consisted of a team of 58 auditors as of 31 December 2022 whose tasks include evaluating the quality of the Group's lending portfolio, the controls in operational processes and the integrity of the Group's information systems and databases. The IAG is also responsible for auditing whether or not transactions undertaken by the Group are conducted in accordance with the Group's internal procedures, with a view to minimising the risk of fraudulent, improper or illegal practices.

In carrying out their audit activities and responsibilities, internal auditors have unrestricted access to all of the Group's records (whether manual or electronic), assets, physical properties and personnel. The IAG performs its function in accordance with a risk-based audit methodology. Although all of the Group's units are subject to audit, the frequency of internal audits carried out with respect to each of the Group's units depends on the perceived risk of that unit and its related control risk evaluation. All audits are conducted in accordance with the annual audit plan, which is approved by the BAC.

### ***Internal Shari'a Control Department***

The Internal *Shari'a* Control Department (the "**ISCD**") is an independent control department. Organisationally, it is not part of any business division or reporting to it. The ISCD supports the ISSC in its duties. At the Issuer, the ISCD assumes the following functions: (a) an ISSC secretariat function; (b) a *Shari'a* consultations function; (c) *Shari'a* research and development; (d) *Shari'a* compliance; and (e) *Shari'a* training. The ISSC supervises the work of this department from a technical perspective. The Head of ISCD reports to the Board or to a Board Committee for all matters. All functions of ISCD are managed internally.

## **CREDIT APPROVAL PROCEDURES**

### **Overview**

The Group requires credit approvals in compliance with Board-approved credit procedures for both consumer, corporate and institutional loans. The UAE's central credit bureaus (such as the Central Bank Risk Bureau and the Al Etihad Credit Bureau ("**AECB**")) provide support for the customer due diligence process. However, ultimate credit assessment and sanctioning is independently managed by each UAE bank (see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Al Etihad Credit Bureau*"). The Group's credit approval procedures are closely monitored by the Board through the BEC and by executive management through the MCC. The Group's credit group and consumer credit risk group are responsible for the development and implementation of the Group's credit approval procedures in conjunction with the BEC and the MCC as well as the development of the Group's central credit information database.

The Group applies different credit limits and approval criteria depending on the types of loans, customers and industry sectors. The approvals are made at various levels of the organisation, ranging from the Board, the BEC under the Board supervision, the MCC to a credit officer for consumer risk management of retail loans, in each case within the Group's established credit limits.

### **Corporate, Institutional and HNWI loan approval procedures**

For corporate, institutional and HNWI loans, the Board is responsible for approving all credit commitments which are classified as 'large exposures' for the purposes of the large exposures regulation which was published by the Central Bank on 22 May 2023 by virtue of Circular No. C1/2023 on large exposures (the

**"Large Exposures Regulation"**). The BEC, which is appointed by the Board, is responsible for approving credit commitments on behalf of the Group over and above the management committee delegation and up to an aggregate percentage of the Group's capital per single borrower or group of related borrowers as specified by the Central Bank (see *"The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Large Exposures"*) and, in all other cases, making recommendations to the Board for approval. The BEC is comprised of five non-executive directors and several invitees from the executive management team including the GCEO, the Chief Financial Officer ("**CFO**"), the Group Chief Risk Officer ("**GCRO**"), the GCCO, the Group Chief Operating Officer, the Group Chief Internal Auditor, the heads of credit, retail banking, corporate & investment banking, treasury, special assets restructuring and the Group General Counsel, among others. The MCC has a delegation to approve corporate and institutional loans that are linked to the customer internal rating and factors in the prudential limits established by the Group for each customer rating. These ratings are internal ratings for customers given by the Group to each customer based on the Group's credit policy. The MCC is comprised of the GCEO, the GCRO, the GCCO, and the heads of private banking and wealth management, corporate & investment banking and treasury as voting members. In addition, MCC also has non-voting members that include, but are not limited to the CFO and Group General Counsel. All decisions at the MCC require the GCEO's vote and at least one vote from the credit group or the risk group. The GCCO has the right of escalation of any matter in this committee to the level of the BEC should he feel the need to do so.

Corporate, institutional and HNWI credit commitments that fall under the mandate of the MCC are addressed by the credit group's "functional delegated lending authorities" approved by the MEC. Certain cases can be escalated to the MCC/the BEC based on the recommendation of the GCEO, the GCRO or the GCCO. The GCEO, the GCRO or the GCCO may also further sub-delegate "specific delegated lending authorities" that are generally limited to short-term commitments (i.e., a maximum of one year). All such sub-delegations are notified to both MCC and BEC.

In addition to categorising corporate, institutional and HNWI credit commitments by value, the Group also divides its corporate, institutional and HNWI credit commitments into the following main product categories: loans, trade finance, contract guarantees (such as performance bonds), financial commitments (such as financial guarantees and undrawn commitments), market variation (foreign exchange contracts, options and derivatives), settlement (foreign exchange and other delivery), syndication and others. The Group applies specific standards of review for each category of credit commitment, which enables the Group to examine both the credit risk of the borrower as well as the Group's overall lending exposure per product category. The credit department also operates pursuant to product specific policy manuals, including but not limited to manuals for the Group's asset-based finance, commercial vehicle financing and real estate and property development finance. Analysing applications by product category also allows the Group to respond to market developments. This approach allows the credit department to apply different credit approval procedures of the Group to different clients as required.

New corporate, institutional and HNWI borrowers are sourced through the Group's sales channels including its relationship managers at corporate, institutional and HNWI client divisions such as the business banking division, financial institutions division and strategic clients and government banking divisions as well as through the Group's local branch network and private banking. Once a new customer has been identified, the relationship manager prepares a due diligence report on the client as part of the approval process. This due diligence report is based on the Group's review of all relevant information and generally includes: (i) borrower information (including its legal constitution, ownership structure, organisational structure and financial strength); (ii) management (including a list of directors, key officers and their qualifications and affiliations); (iii) industry sector and market information; (iv) relationship with the Group and other banks; (v) financial analysis of the borrower; (vi) sources of repayment; and (vii) appropriateness of certain covenants to be included in loan documents. The Group also reviews the borrower's payment history with the Group or other banks, competitive strengths, levels / location / value / type of collateral and other factors to reach its credit decision. This due diligence report is then validated independently by the credit group, which prepares a brief assessment of the reports, summarising its salient features and recommendation for approval at the appropriate delegated lending authority.

The credit division also uses a risk grading and security categorisation system to assess and monitor the credit quality of credit applicants as well as existing borrowers. In accordance with the Group's rating matrices, corporate & investment banking and HNWI clients are assigned credit grades based on various qualitative and quantitative factors including financial strength of the borrower, industry risk factors, management quality, operational efficiency and company standing. These credit grades are used by the Group to decide the maximum lending amount per customer group and to set minimum pricing thresholds.

The risk grading system attempts to grade a borrower based solely on the borrower's characteristics, and therefore does not take into consideration any security provided by the borrower unless financials are not provided by the borrower, in which case a finance structure is graded through a real estate scorecard or share scorecard that takes into account the security being provided. In addition to facilitating loan approval decision-making, credit scores are also used by the Group to set credit facility limits for specific clients. The credit quality of the client and the guarantor, the fair value of security interests and other relevant factors are all considered prior to setting the terms of the facility agreement (including the payment period, processing fee and interest rate).

The division monitors compliance with conditions, covenants and other trigger mechanisms on an ongoing basis during the year and, in the event of non-compliance, is responsible for timely intervention in advance of a facility's annual review. The credit division reviews the credit limits of its corporate and institutional customers at least once each year.

### **Consumer credit approval procedures**

The Group has developed a comprehensive consumer credit policy and procedures manual, which establishes the retail banking group's overall risk management framework. The manual establishes operating policies and procedures relating to credit approval and verification, merchant authorisation, collections, risk mitigation, repossession and foreclosure management and fraud. The policy acts as a guideline for the formulation of individual product credit policy and procedures manuals. Additional policies and procedures manuals have been established with respect to the use of vendors, agents, dealers, brokers and other third parties or intermediaries that directly or indirectly impact credit risk, such as appraisers, realtors, brokers, servicing agents and collection agencies.

For consumer loans, the Board has delegated its authority to the consumer risk management division. This division applies a tiered hierarchy of delegated approval authorities based on the value of the credit commitment sought. Such authorities are set out in authority matrices which are required to be approved by appropriate internal committees.

New consumer borrowers are sourced through the Group's sales channels, including direct sales agents and the Group's retail branch network. The consumer risk management division makes credit decisions based on product lending programmes for consumer customers. Acceptance of new retail clients typically depends on the size and type of loans as well as the type of customers. Credits extended to consumer customers are reviewed every 30 days as part of a general portfolio review.

## **COLLECTION PROCEDURES**

### **Retail banking collection procedures**

If a retail banking group loan is in arrears, it is processed in accordance with standard operating procedures whereby the loan is considered to be in default one day after it has become delinquent. The account is recorded as an impaired loan after 90 days past due in line with Central Bank recommendations and guidelines.

The collections unit, which reports directly to the head of consumer risk management, may also, in certain cases, approach a delinquent borrower in order to settle an outstanding loan or assess how an outstanding loan may be restructured. The collection unit is responsible for pursuing all avenues available to collect the outstanding amount from a debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral.

### **Corporate & investment banking collection procedures**

If a corporate & investment banking group loan is in arrears, the credit department is responsible for taking the initial steps to determine if the default can be remedied. If: (i) the loan remains in default for more than 90 days (and is thereby recorded as an impaired loan as per Central Bank recommendations and guidelines); or (ii) negative information about the debtor surfaces, which makes collection of the outstanding loan unlikely, then the credit department refers the loan to the remedial risk department.

Initially, the remedial risk department contacts the borrower to discuss repayment of the amount of the loan outstanding. If the borrower is unable to repay the amount outstanding under the original terms of the loan, the remedial risk department may attempt to reschedule interest and principal payments or otherwise

restructure the loan in conjunction with the debtor and its advisers. As part of such restructuring, the remedial risk department may request additional collateral, increase applicable interest rates or accelerate payment schedules. Restructuring plans negotiated by the remedial risk department with the borrower are required to be approved by the Management Recoveries Committee, which is comprised of members of the Group's executive management and chaired by the Group General Counsel. The Management Recoveries Committee can review and approve settlements relating to impaired loans and advances to customers where the principal waiver does not exceed AED 25.0 million. Any amount in excess of this threshold is required to be approved by the MCC, the BEC or the Board itself, based upon threshold amounts. If the foregoing measures do not result in payment, the remedial risk department is responsible for pursuing all other avenues available to collect the outstanding amount from the debtor and/or its guarantor by, among other methods, filing a claim with the court and starting a court proceeding to foreclose on relevant collateral. Under UAE federal law, however, creditors are prevented from foreclosing on a UAE national's primary residence.

## MANAGEMENT OF RISKS

In common with other financial institutions, the Group faces a range of risks in its business and operations including: (i) credit risk; (ii) funding and liquidity risk; (iii) market risk (including currency risk, interest rate risk, equity price risk and commodity price risk); (iv) legal risk; (v) reputational risk; and (vi) operational risk (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued*").

### Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

The Group's credit committees (MCC and MRC) are responsible for managing the Group's credit risk by:

- Monitoring the Group's credit risk practices, including its systems of internal control, to determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating and geographic location.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Monitoring and maintaining the Group's policies and procedures in relation to the maintenance of validation of models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL;

and providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

- Managing the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group wide credit policies and standards are approved by the BRC. These govern all delegated lending authorities and include policies, standards, metrics, strategies and procedures specific to each of the different business segments and are decided based on the macroeconomic conditions, the risk appetite of the Group, market data and internal skill sets and capabilities. They are regularly reviewed and modified for current developments and relevancy and with a view to protect the Group's interest in changing operating conditions. In addition to Group wide policies, there are underwriting standards set for each portfolio segment. The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Please see Note 43 (*Credit risk management*) to the 2022 Financial Statements for further information.

#### ***Organisational framework for credit risk management***

The risk management structure of the Group is clearly established with well-defined roles and responsibilities. The committees responsible for managing credit risk are the MCC and the MRC. The Group's risk management practices and strategies are an integral part of business planning and the budgeting process. All risk management areas are centralised under the credit group and the risk group.

The BEC is responsible for sanctioning high value credits and is responsible for the approval of credit policies and processes in line with growth, risk management and strategic objectives established by the Board. In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. Credit risk in respect of derivative financial instruments is limited to those with positive fair values.

Regular audits of business units and the Group's credit processes are undertaken by the IAG.

Please see Note 42 (*Risk management*) to the 2022 Financial Statements for further information.

#### ***Credit risk measurement and mitigation policies***

Loans and advances to customers are the main source of credit risk to the Group, although the Group is also exposed to other forms of credit risk through various other financial assets, including derivative instruments, debt investments, loans to banks, loan commitments and debt securities. The Group's risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits and controls and to monitor the risks and adherence to limits by means of reliable and timely data. The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where it is believed to be appropriate.

#### ***Collateral***

The Group holds collateral against various credit exposures in the form of mortgage interests over property, other registered security interests over assets, fixed deposits and guarantees. Estimates of fair value of the collateral (including shares) are updated on a regular basis. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The principal collateral types for loans and advances to customers are:

- cash and marketable securities;
- mortgages over residential and commercial properties;



- charges over business assets such as premises, inventory and accounts receivable;
- charges over financial instruments such as debt securities and equities; and
- guarantees.

The estimated fair value of collateral and other security enhancements held against various credit exposures as at 31 December 2022 was AED 227,175,417 thousand compared to AED 242,520,106 thousand as at 31 December 2021.

Collateral held as security against impaired loans primarily relates to commercial and residential properties and securities. Where the estimated fair value of collateral held exceeds the outstanding loan, any excess on realisation is paid back to the customers and is not available for offset against other loans.

For further information regarding the Group's credit risk, see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Difficult macro-economic and financial market conditions have affected and could continue to materially adversely affect the Group's business, results of operations and financial condition*".

#### ***Portfolio monitoring and identifying credit risk loans***

Credit risk management is actively involved in identifying and monitoring credit risk in the loan portfolio. It monitors the portfolio through system generated information and periodic reviews giving consideration to industry/general economic trends, market feedback and media reports.

Within the retail portfolios comprising homogeneous assets, statistical techniques are deployed to monitor potential weaknesses within a particular portfolio. Retail accounts are classified according to specified categories of arrears status (based on days past due), which reflects the level of contractual payments which are overdue on a loan.

The probability of default increases with the number of contractual payments missed, thus raising the associated impairment requirement. In the event where a decision is taken to write off a loan, the account is moved to the legal recovery function. However, in certain cases, an account may be charged-off directly from a performing status, such as in the case of insolvency or death.

In respect of the corporate & investment banking group portfolio, the Group more frequently participates in debt restructuring agreements as part of the business support process. Debt restructuring agreements may include actions to facilitate recovery of the principal and interest outstanding and may include rate negotiation and relaxing payment schedules, among others.

The Group adopts an approach to its credit risk management function that it believes is conservative. Early identification of potentially problematic exposures and the allocation of a specific impairment allowance (and/or collateral) against such loans and advances to customers (recorded in the Group's income statement) helps to mitigate the risk of incurring future losses.

The Group's management believes that the systems in place to implement the Group's loan loss impairment allowances are robust, in line with industry best practice and IFRS 9 requirements, and reflect the Group's prudent approach to credit risk management generally.

#### ***Exposure to credit risk by internal risk grades***

The Group uses an internal grading system which employs ten grades that categorise the Group's corporate, institutional and HNWI customers based on various qualitative and quantitative factors such as borrower financial strength, industry risk factors, management quality, operational efficiency, company standing, liquidity, capital structure, peer group analysis and other factors. Some of these grades are further sub-classified with a plus or a minus sign. Lower grades are indicative of a lower likelihood of default. Credit grades between 1 to 7 are assigned to performing customers or accounts, while credit grades between 8 to 10 are assigned to non-performing or defaulting customers.

Credit ratings are used by the Group to decide the maximum lending amount per customer group and also to set minimum pricing thresholds. Retail customers or individual borrowers are not assigned a credit rating under this structure. However, RBG uses behaviour scoring for its customers.

The Group's internal credit grade is not intended to replicate external credit grades but, since factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a worse internal credit grade.

The Group has also implemented an 8 grade LGD (loss given default) rating scale in 2021 to categorise the Group's corporate, institutional and HNWI customers based on collateral value, collateral type, date of collateral valuation.

ADCB's PD (probability of default) and LGD (loss given default) rating models are fully integrated with the credit approval process.

Please see Note 43.3 (*Expected Credit Losses*) to the 2022 Financial Statements for further information.

### **Funding and Liquidity Risk**

Funding risk is the risk that the Group will be unable to achieve its business plans due to its capital position, liquidity position or structural position. Funding risk arises when the Group cannot obtain the funds needed to meet current and future cash flow and collateral requirements at the expected terms and when required. To reduce this risk, the Group's funding sources are well diversified in both tenor and client base. Liquidity risk is the risk that the Group will be unable to meet the payment obligations associated with its financial liabilities when they fall due and/or replace funds when they are withdrawn. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

For further information regarding the Group's liquidity risk, see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's liquidity*".

#### ***Liquidity risk management process***

The ALCO sets and monitors liquidity ratios and regularly revises and calibrates the Group's liquidity management policies to enable the Group to meet its obligations as they fall due.

The Group's liquidity management process, as carried out within the Group, is monitored by both the Group's treasury and investments group as well as the Group's independent market risk control function, includes:

- monitoring of the liquidity position on a daily, weekly and monthly basis. This entails forecasting of future cash inflows/outflows and seeking to ensure that the Group can meet the required outflows;
- regularly monitoring compliance with the liquidity ratios, such as the LCR and NSFR, stipulated by the Central Bank in accordance with the Basel III framework and internally approved management triggers for liquidity risk;
- conducting regular enterprise-wide liquidity stress tests which estimate liquidity requirements under idiosyncratic and systemic stress conditions. The enterprise-wide stress tests incorporate diverse liquidity triggers including currency de-peg, failure of a major local bank and credit rating downgrades, in addition to regular stress cash flow analysis; and
- monitoring the concentration of the Group's top 10 depositors / largest single deposit.

In accordance with the Central Bank's introduction of the Basel III framework in the UAE and related Central Bank guidelines, the Group manages its liquidity position through compliance with the LCR. As part of the requirements to report its liquidity position to the Central Bank in compliance with the LCR, the Group manages its internal liquidity through periodic internal 60-day LCR stress tests which are more conservative than the Basel III requirements. Additionally, the Group's treasury division invests in various short-term and/or medium-term, highly marketable assets in line with Basel III guidelines for HQLAs (such as monetary bills issued by the Central Bank and investment grade bonds).

As part of its LCR compliance, as at 31 December 2022, the Group held a portfolio of HQLAs valued at AED 102.7 billion and had an LCR ratio of 138.9 per cent., as compared with a portfolio of HQLAs valued at AED 86.6 billion and an LCR ratio of 124.1 per cent. as at 31 December 2021. As at 30 September 2023, the Group's LCR ratio was 130.38 per cent. and it held a portfolio of HQLAs valued at AED 100.9 billion. See "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's liquidity – The Group's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations*" and "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Liquidity*" for more information. The ALCO and the Board monitor compliance with these ratios internally on an ongoing basis.

The Group monitors the concentration of funding sources through a number of different metrics, including:

- euro commercial paper to total liabilities and equity;
- wholesale funds to total liabilities and equity;
- money market deposits to total liabilities and equity;
- core deposits to customer deposits; and
- offshore funds to total liabilities and equity.

#### ***Tools for liquidity management***

The Group, through its treasury department, is responsible for obtaining access to diverse sources of funding, ranging from local customer deposits from both its retail and corporate customers, to long term funding such as debt securities and subordinated liabilities.

While the Group's debt securities and subordinated debt are typically issued with maturities of greater than one year, deposits from banks and customers generally have shorter maturities which increases the liquidity risk of the Group and creates an asset-liability mismatch. The Group's treasury department manages this risk by:

- diversification of funding sources and balancing between long term and short term funding sources through borrowing under its unsecured notes issuance programmes;
- monitoring the stickiness of its liability portfolio and rewarding business units for sticky deposits through the fund transfer pricing process; and
- investing in various short-term or medium-term but highly marketable assets, in line with Basel III guidelines for HQLAs, such as monetary bills issued by the Central Bank and investment grade bonds that can be repurchased at short notices.

Further, the Group also has the following facilities from the Central Bank to manage its liquidity risk during critical times:

- the Marginal Lending Facility (the "**MLF**"), under which the Group can borrow from the Central Bank by posting eligible collateral with a spread of 50 basis points above the base rate. The Group periodically tests the MLF with the Central Bank for its operational readiness (see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Standing Credit & Liquidity Insurance Facilities*");
- the Contingent Liquidity Insurance Facility which is similar to the MLF, but is on a contingent basis and at the Central Bank's discretion in response to a market-wide or idiosyncratic stress event. The spread on this facility is on a case-by-case basis and is dependent on the severity of the stress event; and
- the Intraday Liquidity Facility, which gives the Group access to AED funding against eligible collateral on an intraday basis, to ensure that payments are settled on a real-time basis.

The contractual maturities of assets and liabilities are determined on the basis of the remaining period at the end of the reporting period date to the contractual maturity date and do not take into account the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The maturity profile of the Group's assets and liabilities is monitored by management in order to maintain adequate liquidity.

### **Market Risk**

The Group's activities expose it to market risk which is the risk that changes in market prices, such as interest rates, equity prices, commodity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is broadly classified into three categories:

- interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates;
- currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates; and
- 'other price risk', which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Group separates its exposure to market risk between its trading portfolio and its banking book.

#### ***Market risk arising from trading portfolio***

Trading portfolios are held by the treasury division, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. Realised and unrealised gains and losses on these positions are generally reported in the Group's consolidated income statement.

The Group's trading activities expose it to the financial risk of changes in interest rates and foreign currency exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to such interest rate and foreign exchange risks.

#### ***Market risk arising from banking book***

Market risk from banking book arises from execution of the Group's core business strategies, products and services to its customers which create interest rate risk positions and open currency positions that the Group endeavours to manage through strategic positions designed to mitigate the inherent risk caused by holding such positions.

Banking book includes all positions that are not held for trading including, but not limited to, the Group's investments in instruments carried at fair value through comprehensive income and held at amortised cost, loans held at amortised cost, derivatives used for hedging purposes and other assets held for longer term investment.

These exposures can result from a variety of factors including but not limited to re-pricing gaps in assets, liabilities and off-balance sheet instruments and changes in the level and shape of market interest rate curves.

#### ***Risk identification and classification***

The MCC identifies and classifies market risk for the Group and puts in place risk management policies and procedures. All business segments are responsible for comprehensive identification and verification of market risks within their business units. Regular meetings are held between treasury, market and liquidity risk management and the heads of risk-taking businesses to discuss and decide on risk exposures in the context of the market environment.

### ***Management of market risk***

The Board has set risk limits based on the Value-at Risk (VaR), stressed-VaR (SVaR), Greeks, sensitivity/stress analysis and foreign exchange open position limits which are closely monitored by the risk management division and reported regularly to the executive management and discussed by the ALCO.

Market risk is identified, measured, monitored, and controlled by an independent risk control function. with Treasury, market and liquidity risk management aims to reduce volatility in operating performance and make the Group's market risk profile transparent to the executive management, the Board and the Group's regulators.

Market risk management is overseen by the MCC / BRC and performs the following primary functions:

- establishment of a comprehensive mark-to-market valuation policy framework;
- establishment of a comprehensive market risk policy framework;
- independent measurement, monitoring and control of market risk;
- setting and monitoring of limits; and
- hedge effectiveness methodology.

The following are the various matrices, both statistical and non-statistical, including sensitivity analysis tools, used to measure market risk. Refer to Note 46 of the 2022 Financial Statements for further details.

#### *Statistical risk measures*

The Group measures the risk of loss arising from future potential adverse movements in market rates, prices and volatilities using VaR methodology. The VaR that the Group measures is an estimate, using a confidence level of 99 per cent. of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. This confidence level suggests that potential daily losses in excess of the VaR measure are likely to be experienced once every hundred days. The Board has set limits for the acceptable level of risks in managing the trading book.

The Group uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VaR represents the risk of portfolios at the close of a business day and intra-day risk levels may vary from those reported at the end of the day. The actual trading results, however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group runs both stressed VaR and expected shortfall on a daily basis to monitor the tail risk outside the confidence limit. Stressed VaR is the VaR run through a stressed year, rather than the previous year (as is used in VaR).

The table below shows the Group's VaR as at 31 December for each of the years indicated:

<b>Daily value at risk (VaR at 99% – 1 day)</b>	<b>2022</b>	<b>2021</b>
	<i>(AED thousands)</i>	
Overall risk.....	(32,460)	(25,934)
Average VaR.....	(44,386)	(41,672)

#### *Non-statistical risk measures*

Non-statistical risk measures, other than stress/sensitivity testing, include independent market valuations to test that the Group's valuations are correct, and risk greeks to confirm that trading is within the risk appetite thresholds. These measures provide granular information of the Group's market risk exposures.

Independent market valuations/greeks are validated by the market risk function in order to test whether market valuations/greeks are measured correctly. The Group uses first order risk greeks to monitor and control market risk on a daily basis. The interest rate delta and vega and the foreign exchange delta and vega are computed daily and monitored against a limit. The Board has set limits for the delta and the vega within acceptable levels of risk in managing the trading book.

#### *Sensitivity analysis*

To overcome the VaR limitations mentioned under "Statistical risk measures" above, the Group also carries out daily stress tests/sensitivity analysis of its portfolio to simulate conditions outside normal confidence intervals in order to analyse potential risk that may arise from extreme market events that are rare but plausible. The results of the stress tests are reported regularly to the ALCO for their review.

For further information regarding the Group's market risk, see "Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Market in which the Group operates".

#### **Interest rate risk – trading book**

The Group uses financial simulation modelling tools to periodically measure and monitor interest rate sensitivity. The results are analysed and monitored by the ALCO.

The following table depicts the sensitivity of fair valuations in the trading portfolio to hypothetical and instantaneous changes in the level of interest rates – with other market risks held constant – which would have an impact on the Group's consolidated income statement:

Relative instantaneous rate move shift for all tenors	2022		2021	
	(thousands)			
	+0.25%	-0.25%	+0.25%	-0.25%
AED .....	11,512	(9,719)	3,988	(3,006)
U.S.\$ .....	(4,754)	4,358	1,117	(323)

#### **Interest rate risk – non-trading book**

The following table demonstrates the sensitivity of fair valuations in the non-trading book to hypothetical and instantaneous changes in the level of interest rates - with other market risk factors held constant – which would have an impact on the Group's consolidated income statement.

The sensitivity on the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities, including the effect of hedging instruments.

Sensitivity of net interest income.....	2022		2021	
	(AED thousands)			
	+0.25%	-0.25%	+0.25%	-0.25%
	127,530	(124,805)	116,431	(100,819)

#### **Currency risk**

The following table depicts the sensitivity of fair valuations in the trading portfolio and banking book to hypothetical, instantaneous changes in the level of foreign currency exchange rates – with other market risks held constant (including the U.S.\$-AED currency pair which is pegged) – which would have an impact on the Group's consolidated income statement:

Price shock in percentage	2022		2021	
	(thousands)			
	+5%	-5%	+5%	-5%
U.S.\$ – AUD.....	69	(13)	(33)	33
EUR – U.S.\$ .....	31	(31)	(7,415)	10,937
GBP – U.S.\$.....	(35)	64	1,480	1,634
U.S.\$ – JPY.....	(328)	635	1,637	4,880
U.S.\$ – INR.....	4,765	(4,311)	5,422	(1,808)
U.S.\$ – EGP.....	14,466	(12,642)	75,685	(68,476)
U.S.\$ – SAR.....	56,591	(67,106)	6,464	(32,027)

## **Legal Risk**

Legal risk is the risk of losses occurring due to: (i) non-compliance with laws or regulations; or (ii) legal or regulatory action that invalidates contractual protections. The Group seeks to mitigate this risk through the use of experienced internal and external lawyers to review documentation and provide legal advice in relation to such documentation when appropriate. There is also an independent compliance department established that is responsible for monitoring compliance with UAE banking laws and compliance with laws and regulations in all other jurisdictions under which the Group and its subsidiaries operate.

## **Reputational Risk**

Reputational risk is the risk of loss occurring due to a decrease in the value of the ADCB brand. The Group's brand and reputation could be adversely affected by a number of factors, including, but not limited to, substandard work product, higher transactional costs than competitors, major adverse credit events, negative publicity in local and international press, legal disputes or lower than expected financial results. The Group seeks to mitigate this risk through internal risk management policies and procedures and active use of the media and advertising.

## **Operational Risk**

The Group defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Operational risks can expose the Group to potentially large losses. While the Group cannot eliminate all operational risks, it has developed a comprehensive process of identifying, assessing, controlling/mitigating, monitoring and reporting operational risk.

The ultimate responsibility for bank-wide operational risk profile, as well as compliance with laws and regulations, rests with the Board, although this responsibility has been delegated to the executive management. Ongoing management of operational risk is co-ordinated by the Operational Risk Management Department and reviewed and controlled by the MEC and the MRC, as applicable, for policy purposes.

The Group's operational risk governance framework is built on a number of elements which enable the Group to effectively manage and measure its operational risk profile and to calculate the amount of operational risk capital that the Group needs to hold to absorb potential losses.

The Group's internal audit function provides further independent review of the Group's operational risk management processes, systems and controls and reports to the Board and executive management.

## **GROUP COMPLIANCE**

### **Overview**

The compliance department is in charge of identifying, assessing, monitoring, and reporting on the Group's compliance risk, including those relating to combating money laundering, terrorist financing and other financial crimes, and ensuring overall adherence to applicable laws, regulations, standards and all other conduct and compliance policies. The department applies a risk-based approach and operates a compliance programme founded on the following pillars: governance, policies and procedures, systems and controls, training, monitoring and assurance, and reporting. The Group Chief Compliance Officer has direct access to the BAC and reports to the GCEO.

The compliance department is responsible for maintaining oversight on regulatory implementations, creating regulatory awareness, assessing risks inherent in the business and enabling compliance with applicable rules and regulations.

## CAPITAL MANAGEMENT

The Central Bank is the Group's principal regulator and sets and monitors its capital requirements. The Group's objective is to have an adequate capital base to enable it to pursue its strategic initiatives and to support the growth of its business.

The Group's senior management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank, monitors capital adequacy and the use of regulatory capital. Returns are filed with the Central Bank on a quarterly basis. For further information on the capital adequacy regime in the UAE and the requirements applicable to the Group, see "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Capital Adequacy*" below.

Details of the Group's capital base and risk-weighted assets reported in accordance with guidelines issued by the Central Bank (after deducting proposed dividends from retained earnings) as at 30 September 2023, 31 December 2022 and 31 December 2021 are set out in the table below:

	<b>As at 30 September (unaudited) 2023</b>	<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>(AED millions, except for percentage)</i>		
<b>Capital Base</b>			
Tier 1 capital (before deductions).....	66,621.18	62,644.19	58,947.22
Deductions and adjustments from Tier 1 capital .....	(9,175.95)	(8,960.71)	(7,264.13)
Less: Proposed dividend	-	(1,252.33)	(2,574.23)
Total Tier 1 capital.....	57,445.23	52,431.14	49,108.86
Tier 2 capital .....	4,282.63	4,073.29	4,087.81
<b>Total regulatory capital</b> .....	<b>61,727.85</b>	<b>56,504.43</b>	<b>53,196.67</b>
<b>Risk-weighted assets</b>			
Credit risk.....	342,610.19	322,725.32	301,076.49
Market risk .....	17,130.32	13,983.51	9,406.23
Operational risk.....	22,334.61	21,529.96	22,542.86
<b>Total risk-weighted assets</b> .....	<b>382,075.12</b>	<b>358,238.79</b>	<b>333,025.57</b>
<b>Capital Adequacy Ratio</b> .....	<b>16.16</b>	<b>15.77%</b>	<b>15.97%</b>

The Group also calculates its capital ratio with respect to the Basel III reports in accordance with Basel III's standardised approach. Please refer to Note 31 (*Capital adequacy ratio*) to the Interim Financial Statements and Note 50 (*Capital adequacy ratio*) to the 2022 Financial Statements for these ratios.

In accordance with the Commercial Companies Law, the Group transfers 10 per cent. of its annual profits to its statutory and legal reserve and will continue to do so until such time as the reserve equals 50 per cent. of the issued share capital of ADCB. As at 31 December 2022, the value of the statutory and legal reserve was equal to 50 per cent. of the issued share capital of ADCB and, accordingly, ADCB resolved to discontinue further transfers to the statutory reserves. These reserves are not available for distribution.

Please see Note 31 (*Capital adequacy ratio*) to the Interim Financial Statements and Note 50 (*Capital adequacy ratio*) to the 2022 Financial Statements for further information.



## THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

### SUMMARY

As at 31 March 2023, there were a total of 50 commercial banks registered in the UAE (consisting of 22 locally incorporated commercial banks and 28 foreign commercial banks) (*source*: Central Bank Monetary Banking & Financial Markets Developments Report Q1 2023). As a result, the UAE could be, and has historically been, viewed as an over-banked market, even by regional standards and there has traditionally been little impetus for consolidation. However, the consummation of the merger of National Bank of Abu Dhabi ("NBAD") and First Gulf Bank ("FGB") on 30 March 2017, which created First Abu Dhabi Bank, one of the largest banks in the Middle East and North Africa region by assets, stimulated further movement towards greater consolidation among locally incorporated banks, observed in the Combination in 2019 and the acquisition of Noor Bank P.J.S.C by Dubai Islamic Bank P.J.S.C in 2020.

The UAE's membership of the World Trade Organization ("WTO") will likely require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to further expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

According to preliminary estimates published by the Statistics Centre (*source*: Statistical Yearbook of Abu Dhabi 2020), the financial and insurance sectors in Abu Dhabi contributed approximately AED 70.5 billion (or 7.7 per cent.) to Abu Dhabi's nominal GDP in 2019. Within the UAE as a whole, the financial sector was estimated to have contributed approximately 7.25 per cent. of real GDP in 2021 (*source*: FCSC National Account information for 2020-2021).

As a banking regulator, the Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the Central Bank.

Historically, the Central Bank does not act as a "lender of last resort". Instead, this role tends to fall on the individual Emirs of each Emirate. However, the MLF allows non-Islamic UAE banks to use certain tradeable assets and/or foreign exchange as collateral to access Central Bank liquidity overnight in order to help their liquidity management (see "*Recent Trends in Banking – Liquidity*" below).

### COVID-19

In response to the COVID-19 pandemic, effective from 15 March 2020, the Central Bank implemented the TESS, which included a range of measures aimed at mitigating the economic effects of COVID-19 on the UAE economy (see further "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – The Group's business, results of operations and financial condition may be adversely affected by the impact of COVID-19*"). The measures introduced by the TESS expired on 30 June 2022. The TESS was accompanied by other stimulus measures, including the reduction of interest rates and the following measures:

*Further measures to support the UAE economy in response to COVID-19*

- decreasing the Central Bank's minimum reserve requirement for all current, call and savings deposits from 14 per cent. to 7 per cent.;
- postponing the planned implementation of certain Basel III capital requirements in a phased manner from 30 June 2021 to 30 June 2022; and
- allowing banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased in over a five-year period until 31 December 2024.

### CHARACTERISTICS OF THE BANKING SYSTEM

#### Historic Lack of Consolidation

The UAE may be, and has historically been, seen as being over-banked with 50 commercial banks registered in the UAE (consisting of 22 locally incorporated commercial banks and 28 foreign commercial banks) (*source*: Central Bank Monetary Banking & Financial Markets Developments Report Q1 2023) and 11 wholesale banks licensed to operate in the UAE, serving a population estimated to be in the region of approximately 9.44 million people as of mid-2022 (*source*: Statistical Yearbook 2022 edition, United Nations Department of Economic and Social Affairs, Statistics Division). Traditionally, there has been little impetus for consolidation, with the federal structure of the UAE encouraging, to some extent, the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also historically hampered the process of consolidation. As a result, during the period between the October 2007 merger of Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C. which created Emirates NBD and 2017 there was very limited merger activity domestically in the sector. However, following the merger of NBAD and FGB, consummated on 30 March 2017, the Combination, which became effective on 1 May 2019, and the acquisition of Noor Bank P.J.S.C by Dubai Islamic Bank P.J.S.C in January 2020, commentators have suggested that the UAE may see more consolidation of the banking sector in order to improve profitability and reduce inefficiencies.

While the anticipated attempts at consolidation would further reduce the level of concentration in the domestic banking sector, they would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

Going forward, the advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, with the possibility of creating banks with pan-Gulf franchises.

### **Domestic Focus**

The UAE-incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business, a trend which is likely to continue in the event of further merger activity in the sector.

With a large number of banks competing for a limited number of wholesale lending opportunities, most banks historically turned to retail banking, a previously untapped market. However, increasing competition in this area has gradually eroded margins and encouraged a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and internet banking services. As a consequence, information technology costs have been a prominent feature of many UAE banks' expenses in addition to employee costs.

### **Limited Foreign Ownership**

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

In 2013, the Government sought to replicate the success of the DIFC by announcing its intention to establish the ADGM in Abu Dhabi, as an international financial free zone with its own legal framework (closely based on English common law). The ADGM became operational in mid-2015 and, as at the date of this Prospectus, it remains unclear to what extent this will impact the competitive and regulatory landscape in the domestic banking sector.

Federal Law No. 14 of 2018 (which entered into force with effect from 23 September 2018) (the "**2018 Federal Law**") amended the minimum permissible shareholding by UAE nationals in UAE banks to 60 per cent.

### **Exposure to the Oil Sector**

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the UAE and MENA – The UAE's economy is highly dependent upon its oil revenue*"). In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements. The mining and quarrying sector, which includes crude oil and natural gas, accounted for approximately 27.7 per cent. of the UAE's constant GDP in 2021, down from 79 per cent. of GDP in 1980 (source: Federal Government of the UAE).

### **Islamic Banking**

*Shari'a* (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank PJSC, Abu Dhabi Islamic Bank PJSC, Emirates Islamic Bank PJSC, Ajman Bank, Sharjah Islamic Bank PJSC, Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co. (PSC) (Salama), Al Hilal Bank PJSC, Tamweel and Amlak Finance. In addition, conventional financial institutions often offer *Shari'a*-compliant products. In addition, the majority of local and international conventional financial institutions that operate in the UAE also offer *Shari'a*-compliant products through their Islamic windows. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks.

### **Legal Environment**

There are three primary sources of law in the UAE: (i) federal laws and decrees; (ii) local laws; and (iii) *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

### **Supervision of Banks**

The main piece of legislation applicable to the banking system is the 2018 Federal Law which repeals Federal Law No. 10 of 1980 concerning the status of the Central Bank. The Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the UAE federal government would ultimately stand as de facto defender of the currency and the "lender of last resort".

The 2018 Federal Law grants the Central Bank powers to, among other things:

- draw up and implement monetary policy;
- exercise currency issuance;

- organise licensed financial activities, establish the foundations for carrying them on, and determine the standards required for developing and promoting prudential practices in accordance with the provisions of the 2018 Federal Law and international standards;
- set up appropriate regulations and standards for protection of customers of licensed financial institutions;
- monitor the credit condition in the UAE, in order to contribute to the achievement of balanced growth in the national economy;
- manage foreign reserves to maintain, at all times, sufficient foreign currency assets to cover the monetary base as per the provisions of the 2018 Federal Law; and
- regulate, develop, oversee and maintain soundness of the financial infrastructure systems in the UAE, including electronic payment systems, digital currency and stored value facilities.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the Central Bank to issue UAE federal government debt. However, the Central Bank does issue Monetary Bills ("M-Bills") to UAE banks via auction, denominated in UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. The M-Bills programme was launched in January 2021 to replace Central Bank Certificates of Deposit. The secondary market in M-Bills is currently developing but they can be used as collateral for UAE dirham funding from the Central Bank at any time.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices. However, see *"Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the UAE and MENA – Any alteration to, or abolition of, the foreign exchange "peg" of the UAE dirham or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the UAE dirham or other such currencies"*.

The Central Bank is also responsible for regulating financial institutions in relation to AML controls and enforcing Federal Law No. 20 of 2018 regarding the procedures for Anti-Money Laundering and Combating the Financing of Terrorism and Illicit Organisations. Pursuant to this, the UAE has established the National Committee to Counter Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organisations which is responsible for co-ordinating policy and systems on anti-money laundering and the combating of terrorism financing and assessing the effectiveness of such policies and systems and the representation of the UAE in international forums on these matters. Federal Law No. 20 of 2018 also recommends the establishment of an independent "Financial Information Unit" within the Central Bank to receive and investigate reports submitted by financial institutions and corporate entities regarding suspected illicit financial activity. In June 2022, the Financial Action Task Force, a global monitor for AML and counter-terrorism financing regulation, identified the UAE as a "jurisdiction under increased monitoring", commonly referred to as the "grey list". In January 2023, the Central Bank released new guidance on AML and counter-terrorism financing for financial institutions containing new obligations for banks to conduct customer due diligence through digital identification systems.

Although the Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC, while the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector in the ADGM. The Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

### **Capital Markets**

The capital markets in the UAE are regulated by a number of entities, including the UAE Securities and Commodities Authority (the "SCA"), which licenses intermediaries to trade on the Dubai Financial Market and the Abu Dhabi Securities Exchange ("ADX"). The SCA is a federal government organisation but has financial, legal and administrative independence. The other significant stock exchange in the UAE is

Nasdaq Dubai which commenced operations in September 2005 and, as an entity based in the DIFC, is separately regulated.

### ***Dubai Financial Market***

The Dubai Financial Market, which is now, along with Nasdaq Dubai, owned by Borse Dubai Limited, was established by the Government of Dubai in 2000 as an independent entity and operates as a market for the listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements.

The Dubai Financial Market was upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014 which has led to an increase in interest and investment from international institutional investors in Dubai.

### ***Nasdaq Dubai***

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) commenced operations in September 2005. On 22 December 2009, Dubai Financial Market announced that it had made an offer to Borse Dubai Limited and the Nasdaq OMX Group to acquire Nasdaq Dubai. The offer was valued at U.S.\$121 million and comprised U.S.\$102 million in cash and 40 million Dubai Financial Market shares. The merger was approved by Borse Dubai Limited and the Nasdaq OMX Group and was completed on 11 July 2010.

Nasdaq Dubai's standards are comparable to those of leading international exchanges in New York, London and Hong Kong. Nasdaq Dubai allows regional and international issuer's access to regional and international investors through primary or dual listings. Investors can access Nasdaq Dubai through a unique mix of regional and international brokers.

### ***Abu Dhabi Securities Exchange***

The ADX was established in November 2000 as an independent entity and operates as a market for trading securities, including shares issued by public joint stock companies, bonds or sukuk issued by governments or corporations, exchange traded funds, and any other financial instruments approved by the SCA.

ADX is classified as an 'Emerging Market' by each of MSCI index (Morgan Stanley Capital International), S&P Dow Jones, FTSE, S&P and Russell Investments. ADX has the authority to establish centres and branches outside the emirate of Abu Dhabi. To date it has done so in the emirates of Fujairah, Ras al Khaimah and Sharjah.

### **Government Involvement**

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customers, in terms of both deposits and project financing.

### **Expatriate Workforce**

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 83.3 per cent. of the workforce (*source: FCSC Labour Force Survey 2019*). The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been replaced by the Emiratisation Circular, which has introduced a scoring system which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratisation Circular.

## Accounting Standards

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (IAS)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

## Structure of the Banking System

Banking institutions in the UAE fall into a number of categories. Domestic commercial banks, also known as "National" banks, of which there were 22 as at 31 March 2023 (*source*: Central Bank Monetary Banking & Financial Markets Developments Report Q1 2023), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there were 39 as at 31 March 2023 (comprising 28 commercial banks and 11 wholesale banks) (*source*: Central Bank Monetary Banking & Financial Markets Developments Report Q1 2023), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. "Financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers) may also be licensed to operate within the UAE.

## RECENT TRENDS IN BANKING

### Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the global 2008 financial crisis but has since rebounded, with the ADX's General Index increasing from 2,630.9 at 31 December 2012 to 10,188.6 at 31 December 2022 (*source*: ADX website), and the Dubai Financial Market index increasing from 1,662.5 at 31 December 2012 to 3,336.1 at 31 December 2022 (*source*: DFM website).

### Liquidity

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress. Banks must also adhere to a maximum loan-to-deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time-based customer deposits made by private individuals or private sector companies. According to data made available by the Central Bank as at 30 June 2023, together, demand and time deposits constituted approximately 85.4 per cent. of total resident and non-resident deposits of all banks (excluding government deposits, commercial prepayments and borrowings under repurchase agreements) resident corporate and individual deposits constituted approximately 91.1 per cent. of total deposits of all banks with approximately 39.8 per cent. of such deposits being from resident corporates (in each case, excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements) (*source*: UAE Central Bank Statistical Bulletin June 2023). As at 30 June 2023, non-resident sources constituted approximately 8.9 per cent. of total deposits of all banks with approximately 53.0 per cent. of such deposits being from corporate non-residents (in each case, excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements) (*source*: UAE Central Bank Statistical Bulletin June 2023).

In response to the global 2008 financial crisis, the Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the Central Bank established an AED 50.0 billion liquidity facility which banks could draw upon subject to posting

eligible debt securities as collateral. The liquidity facility was available only for the purpose of funding existing commitments. New lending was required to be based on growth in the customer deposit base. The Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the Central Bank.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier 2 capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier 2 capital.

During 2008, Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier 1 capital notes issued by the five largest Abu Dhabi banks: NBAD, ADCB, FGB, UNB and Abu Dhabi Islamic Bank PJSC.

In line with Basel III requirements, the Central Bank has issued the Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015) (the "**Liquidity Notice**") and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

*Responsibilities of the board of directors:*

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having a detailed understanding of liquidity risk management; and
- to enable the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

*Responsibilities of senior management:*

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

*Liquidity risk framework:*

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution-specific and market-wide); with the results being communicated to the board of directors and the Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;

- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide) as per the below.

	<b>Ratio</b>	<b>Applicability Period</b>
Basel III ratios:	LCR (LCR > = 100%)	1 January 2019 onwards
	NSFR (NSFR > = 100%)	1 January 2018 onwards

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30-day stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with HQLAs at the minimum LCR determined by the Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible HQLAs for this purpose. See *"Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the Group's liquidity – the Group's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations"* and *"Risk Management – Management of Risks – Funding and Liquidity Risk"* for more information.

NSFR is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR in the UAE mirrors the Basel III standards. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding ("**RSF**") (usage) factors to asset classes and off-balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned RSF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III standards. The NSFR minimum is 100 per cent.

### **Standing Credit & Liquidity Insurance Facilities**

On 15 April 2014, the Central Bank introduced an Interim Marginal Lending Facility which allowed non-Islamic UAE banks to use certain assets as collateral to access Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

On 1 March 2022, this was replaced with the MLF and Contingent Liquidity Insurance Facility (together referred to as the "**Standing Credit & Liquidity Insurance Facilities**"). The MLF performs the same function as the former Interim Marginal Lending Facility, whereas the Contingent Liquidity Insurance Facility allows access to Central Bank term liquidity at the discretion of the Central Bank.

The Central Bank accepts a range of tradeable securities and foreign exchange as eligible collateral for the purposes of accessing the Standing Credit & Liquidity Insurance Facilities, including securities issued by sovereigns (originating in the UAE and outside the UAE) and securities issued by corporates, financial institutions or supranational, municipal, or public sector issuers. In order to be eligible, collateral must meet minimum credit rating requirements specified in the terms and conditions of the Standing Credit & Liquidity Insurance Facilities. Banks accessing the Standing Credit & Liquidity Insurance Facilities must borrow a minimum of AED 10.0 million.



## Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s, a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

## Prudential Regulations

The Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the Central Bank with more up to date information on credit, market and operational risks within the banking sector.

## Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of Central Bank Circular Number 27/2009. Since 1993, the Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

The Central Bank adopted a policy of a gradual, phased introduction of the Basel III Reforms. As part of this gradual introduction of Basel III in the UAE, and pursuant to the February 2017 Regulations and the Accompanying Standards (as defined below), ADCB is required by the Central Bank to maintain a minimum total capital adequacy ratio of 13.5 per cent., effective from 1 January 2019. Included within this Central Bank prescribed minimum total capital adequacy ratio, ADCB, as a D-SIB, is required from 1 January 2019 to maintain a Common Equity Tier 1 buffer of 0.5 per cent.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Under the 2018 Federal Law, the Central Bank may determine reserve requirements for UAE banks. All dividends paid by UAE banks have to be authorised in advance by the Central Bank.

The Basel Committee has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III Reforms, constituting guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III reforms began on 1 January 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "**January 2011 Press Release**") included an additional Basel III requirement (the "**Non-Viability Requirement**") that requires contractual or legislative terms providing for, at the option of the relevant authority, the writing-off of the principal amount of Tier 1 and Tier 2 capital instruments or the conversion

of such Tier 1 and Tier 2 capital instruments into ordinary shares upon the occurrence of the earlier of: (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the relevant bank would become non-viable, in each case as determined by the relevant authority.

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

The Basel III Regulations and the Accompanying Standards confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Regulatory Capital classification from the Central Bank. The Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Prospectus.

In May 2016, the Central Bank published a draft consultation document entitled "Capital Adequacy Regulation" (the "**Consultation Document**"), detailing the Basel III requirements expected to be followed by banks operating in the UAE, once the applicable legislation has been implemented in the UAE. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, "**Regulatory Capital**"). It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, Central Bank published the "Regulations re Capital Adequacy" (the "**Basel III Regulations**") in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the Consultation Document. The Basel III Regulations are supported by the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were first published by the Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSN/2020/4980 and most recently updated on 30 December 2022 by virtue of Notice No. CBUAE/BSN/2022/5280 (the "**Accompanying Standards**"). The Accompanying Standards elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as D-SIBs by the Central Bank will be required to hold additional capital buffers as notified to it by the Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a supervisory review and evaluation process of the Central Bank (see "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Regulatory risks relating to the Group's business – The Group is a highly regulated entity and changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on the Group's business, results of operations and financial condition*").

### **Reserve Requirements**

Reserve requirements are used by the Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

### **Credit Controls**

Banks are required by the Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The Central Bank circular dated 23 February 2011 on retail banking and Notice No. 31/2013 dated 28 October 2013 (which was published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013), as amended by Notice No. CBUAE/BSN/2020/1799 dated 8 April 2020 and Resolution No. 31/2/2020 (the "**Mortgage Regulations**"), introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum

loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. Additionally, the Mortgage Regulations specify that the amount of mortgage loans for non-UAE nationals should not exceed 80 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5.0 million), 70 per cent. of the property value for a first purchase of a home (with a value greater than AED 5.0 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 85 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5.0 million, 75 per cent. for a first home with a value greater than AED 5.0 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

### Large Exposures

The Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits.

On 11 November 2013, the Central Bank published Central Bank Notice No. 32/2013 on large exposures (the "**Large Exposure Notice**") amending certain existing large exposure limits imposed by the Central Bank. The Large Exposure Notice was then replaced by the Large Exposures Regulation introduced by the Central Bank on 22 May 2023. Exposures above limits imposed by the Large Exposures Regulation are subject to approval by the Central Bank. Set out below is a table showing a summary of the limits under the Large Exposures Regulation (defined as a percentage of the bank's capital base calculated under Basel II):

	Cap as percentage of capital base	
	Individual	Aggregate
UAE federal government	Not applicable	Not applicable
Foreign sovereigns rated at least AA-	Not applicable	Not applicable
UAE local governments	Not applicable	150%
Non-commercial entities of UAE local governments	25%	150%
Commercial entities of UAE federal government and UAE local government	25%	100%
Self-sustainable commercial entities of UAE federal and local governments	25%	Not applicable
A single borrower or a group of related borrowers	25%	Not applicable
Shareholders who own 5 per cent. or more of the bank's capital and their related entities	20%	50%

### Cap as percentage of capital base

	Individual	Aggregate
Globally systemic bank exposure to another globally systemic bank	15%	Not applicable
UAE incorporated bank's exposure to its foreign branches	Not applicable	30%
Exposure to bank's non-bank subsidiaries and affiliates	10%	25%
Board members	5%	25%

### Provisions for Loan Losses

For UAE banks, IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an ECL model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. IFRS 9 provision uses a three stage approach in recognising increased credit risk at each stage of risk (i.e., Stage 1 for current facilities, Stage 2 for significant increase in credit risk and Stage 3 for impaired loans).

On 27 March 2020, the IASB issued a guidance note, advising that both the assessment of a significant increase in credit risk and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and advances to customers and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

As noted in "*The United Arab Emirates Banking Sector and Regulations – COVID-19*" and as part of the Central Bank's stimulus package in response to COVID-19, banks are able to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five-year period until 31 December 2024.

### UAE Model Standards and Guidelines

On 23 December 2022, the Central Bank published the Model Standards and Guidelines which contain mandatory modelling practices to be implemented by banks operating in the UAE. The Model Standards and Guidelines aim to improve the quality of models used, increase model homogeneity across the UAE and mitigate model risk. All UAE banks were required to submit a gap assessment of their current model management practices against the standard and the guidance in the Model Standards and Guidelines, together with a remediation plan, to the Central Bank by 21 June 2023. The introduction of the Model Standards and Guidelines demonstrates a notable increase in the emphasis placed by the Central Bank on ensuring the accuracy and reliability of models used by banks.

### Al Etihad Credit Bureau

AECB is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB

by the time AECEB commenced operations. ADCB has entered into a data and credit information supply agreement with AECEB.

The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

### ***Shari'a Compliance***

The HSA Law requires financial institutions licensed by the Central Bank to operate their Islamic banking business activities in compliance with the rules, standards and general principles established by the Higher *Shari'a* Authority and, in certain circumstances, requires such financial institutions to obtain the consent of the Higher *Shari'a* Authority before undertaking certain licensed financial activities.

### **Corporate Governance**

In addition, banks in the UAE are subject to the Corporate Governance Regulations and the Corporate Governance Standards which were issued by the Central Bank in 2019 with a view to ensuring banks have a comprehensive approach to corporate governance.

## TAXATION

*The following is a general description of certain tax considerations relating to the Capital Securities. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities and does not constitute legal or tax advice. Prospective purchasers of Capital Securities should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of acquiring, holding and disposing of Capital Securities and receiving payments under the Capital Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### United Arab Emirates

*The following summary of the anticipated tax treatment in the UAE in relation to payments on the Capital Securities is based on the taxation law and practice in force at the date of this Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Capital Securities and the receipt of any payments with respect to such Capital Securities under the laws of the jurisdictions in which they may be liable to taxation.*

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments of interest or principal on debt securities (including the Capital Securities). However, further to the announcement of a Federal corporate tax regime on 31 January 2022, the UAE Ministry of Finance announced the introduction of a corporate income tax on business profits which applies to taxable persons for financial years beginning on or after 1 June 2023 and will apply to the Issuer from 1 January 2024. The UAE Ministry of Finance has also announced that no withholding will apply in relation to this tax. See further "*Risk Factors – Factors that may affect the Group's ability to fulfil its obligations in respect of the Capital Securities issued – Risks relating to the UAE and MENA – Tax changes in the UAE may have an adverse effect on the Group*".

The Constitution of the UAE specifically reserves to the UAE federal government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

### The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Capital Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Capital Securities should, however, be exempt.

Under the Commission's proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, commonly known as FATCA ("FATCA"), a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**", a term not defined as at the date of this Prospectus) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Capital Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Capital Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Capital Securities, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Capital Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register (the "**grandfathering date**") generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Capital Securities (as described under "*Terms and Conditions of the Capital Securities – Further Issues*") that have the same CUSIP or ISIN as the previously issued Capital Securities and are not otherwise distinguishable from previously issued Capital Securities are issued after the expiration of the grandfathering date and are subject to withholding under FATCA, then withholding agents may treat all Capital Securities, including the Capital Securities offered prior to the expiration of the grandfathering date, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Capital Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Capital Securities, no person will be required to pay additional amounts or indemnify any person as a result of any FATCA withholding.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Capital Securities.**

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 23 November 2023 between the Issuer and the Joint Lead Managers, the Issuer has agreed to issue U.S.\$750,000,000 in aggregate principal amount of the Capital Securities and subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100 per cent. of the principal amount of Capital Securities.

The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and offering of the Capital Securities. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of Capital Securities and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Capital Securities, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the Issue Date. In this situation, the issuance of the Capital Securities may not be completed. Investors will have no rights against the Issuer or Joint Lead Managers in respect of any expense incurred or loss suffered in these circumstances.

### **United States**

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered any Capital Securities, and will not offer, sell or deliver any Capital Securities: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of all Capital Securities, except in accordance with Rule 903 of Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of the Capital Securities within the United States by any dealer/manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### **United Kingdom**

#### ***Prohibition of sales to UK retail investors***

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the UK. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of UK MiFIR.

#### ***Other restrictions***

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any



Capital Securities in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the UK.

#### **Prohibition of Sales to EEA Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

#### **Kingdom of Bahrain**

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Capital Securities in the Kingdom of Bahrain except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

#### **State of Qatar (including the Qatar Financial Centre)**

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell, at any time, directly or indirectly, any Capital Securities in Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar (including the Qatar Financial Centre).

#### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Capital Securities. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Capital Securities pursuant to an offering should note that the offer of Capital Securities is a private placement under Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Capital Market Authority resolution number 8-5-2023 dated 18 January 2023 (the "**KSA Regulations**"), made through a capital market institution licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 10 of the KSA Regulations.

The Capital Securities may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of, or as otherwise required or permitted by, the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Capital Securities to

a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

The offer of the Capital Securities shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

#### **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Capital Securities to any person in the DIFC unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the "Professional Client" criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

#### **United Arab Emirates (excluding the ADGM and the DIFC)**

Each Joint Lead Manager has represented and agreed that the Capital Securities have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

#### **Abu Dhabi Global Market**

Each Joint Lead Manager represents and agrees that it has not offered and will not offer the Capital Securities to any person in the Abu Dhabi Global Market unless such offer is:

- (c) an "Exempt Offer" in accordance with Rule 4.3 of the Markets Rules of the Financial Services Regulatory Authority (the "**FSRA**") rulebook; and
- (d) made only to persons who meet the Professional Client criteria set out in the Conduct of Business Module of the FSRA rulebook.

#### **Hong Kong**

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities, except for Capital Securities which are "structured products" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than: (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, in each case, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

#### **Japan**

The Capital Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Capital Securities in Japan or to, or for the benefit of, any resident of Japan, or

to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **Singapore**

Each Joint Lead Manager has acknowledged that this Prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, , whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4(A) of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

### **Malaysia**

Each Joint Lead Manager has represented and agreed that:

- (c) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"); and
- (d) accordingly, the Capital Securities have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Capital Securities has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Capital Securities. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Capital Securities as aforesaid without the necessary approvals being in place.

### **State of Kuwait**

Each Joint Lead Manager has represented and agreed the following:

No Capital Securities have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The Capital Securities have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto as amended governing the issue, offering and sale of securities. No private or public offering of the Capital Securities is being made in the State of Kuwait, and no agreement relating to the sale of the Capital Securities will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Capital Securities in the State of Kuwait.

### **The PRC**

Each of the Joint Lead Managers has represented and agreed, that the Capital Securities may not be offered or sold directly or indirectly in the People's Republic of China (the "**PRC**") (which, for the sole purpose herein, does not include Hong Kong, Macau or Taiwan). This Prospectus, the Capital Securities and any material or information contained or incorporated by reference herein relating to the Capital Securities have not been, and will not be, submitted to or approved/verified by or registered with the China Securities

Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Capital Securities in the PRC. Neither this Prospectus nor any material or information contained or incorporated by reference herein relating to the Capital Securities constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Capital Securities may only be invested by PRC investors that are authorised to engage in the investment in the Capital Securities of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the People's Bank of China, the State of Administration of Foreign Exchange, CSRC, the National Administration of Financial Regulation and other relevant regulatory bodies or successors of the aforementioned regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or overseas investment regulations.

Each Joint Lead Manager has represented and agreed that it has not made, and will not make, any offers, promotions, solicitations for sales of or for, as the case may be, any Capital Securities in the PRC, except where permitted by the CSRC, the PBoC and other competent authorities or where the activity otherwise is permitted under the PRC law.

### **Switzerland**

Each Joint Lead Manager has acknowledged, that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Capital Securities and has represented and agreed that the Capital Securities may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made by it to admit the Capital Securities to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Capital Securities constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Capital Securities may be publicly distributed or otherwise made publicly available in Switzerland.

### **General**

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it offers or sells any Capital Securities or possesses or distributes this Prospectus and that it will obtain any consent, approval or permission required by it for the offer or sale by it of any Capital Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers or sales and neither the Issuer nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Issuer nor any of the Joint Lead Managers has represented that the Capital Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Prospectus or the Capital Securities may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Capital Securities.

## GENERAL INFORMATION

### Authorisation

The issue of the Capital Securities by the Issuer was duly authorised by resolutions of the Board of Directors of the Issuer on 25 October 2023 and by the shareholders of the Issuer on 20 March 2023.

### Approval of the Prospectus, Admission to Trading and Listing of Capital Securities

Application has been made to Euronext Dublin for the Capital Securities to be admitted to listing on the Official List and to trading on the regulated market of Euronext Dublin. It is expected that admission to listing of the Capital Securities on the Official List and admission to trading of the Capital Securities on the regulated market of Euronext Dublin will be granted on or around the Issue Date. The total expenses related to the admission to trading are estimated to be €10,540.

### Documents Available

For as long as the Capital Securities are outstanding, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and the specified offices of the Fiscal Agent for the time being in London.

- (a) the Memorandum and Articles of Association (with an English translation thereof) of the Issuer;
- (b) the unaudited condensed consolidated interim financial statements of the Issuer in respect of the nine months ended 30 September 2023, together with the review report prepared in connection therewith;
- (c) the audited consolidated annual financial statements of the Issuer in respect of the financial years ended 31 December 2022 and 31 December 2021, in each case, together with the audit reports prepared in connection therewith;
- (d) this Prospectus; and
- (e) the Agency Agreement (which contains the forms of the Global Certificate and the Individual Certificate) and the Deed of Covenant.

This Prospectus will be published on the website of Euronext Dublin at <https://live.euronext.com/>.

In addition, copies of the documents listed in paragraphs (a) – (e) above will be available at <https://www.adcb.com/about/investorrelations/investor-relations.aspx>. For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on such website does not form part of this Prospectus.

The English language translations of the Articles of Association of the Issuer are accurate and direct translations of the original foreign language documents. In the event of a discrepancy between the English language translation and the foreign language version, the foreign language version will prevail.

### Clearing Systems and Identification Codes

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN is XS2725803162 and the common code is 272580316. The Financial Instrument Short Name (FISN) and the Classification of Financial Instruments (CFI) Code in respect of the Capital Securities are as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the ISIN, in each case, as may be updated.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1 210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Legal Entity Identifier ("LEI")

The LEI code of the Issuer is 213800RWVKKIRX1AUH58.

### **Website of the Issuer**

The website of the Issuer is <https://www.adcb.com/>. The information on this website does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus.

### **Significant or Material Change**

There has been no significant change in the financial position or financial performance of the Group since 30 September 2023. There has been no material adverse change in the prospects of the Group since 31 December 2022.

### **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have, or have in such period had, a significant effect on the Issuer and/or the Group's financial position or profitability.

### **Independent Auditors**

The consolidated financial statements of ADCB in respect of the financial year ended 31 December 2021 incorporated by reference in this Prospectus have been audited by Ernst & Young Middle East (Abu Dhabi Branch). The address of EY is P.O. Box 136, 27th Floor, Nation Tower 2, Abu Dhabi Corniche, Abu Dhabi, United Arab Emirates.

The consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2022 and incorporated by reference in this Prospectus have been audited by KPMG, the current auditors of the Issuer. KPMG also reviewed the Interim Financial Statements. The address of KPMG is 15th Floor, Falcon Tower, Al Nasr Street, Abu Dhabi, United Arab Emirates, P.O. Box 761.

There is no professional body of auditors in the UAE and, accordingly, the auditors of ADCB are not a member of any professional body in the UAE. However, the auditors of ADCB are registered under the Register of Practicing Accountants at the UAE Ministry of Economy and Planning as required by the UAE Federal Law No. 22 for the year 1995. KPMG Lower Gulf Limited was appointed as the external auditor of ADCB from the period commencing 1 January 2022 at ADCB's 2022 annual general meeting.

### **Joint Lead Managers transacting with the Issuer**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its respective affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions. The Joint Lead Managers and their affiliates may have positions, deal or make markets in the Capital Securities, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, other members of the group and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. The Joint Lead Managers and/or their affiliates may receive allocations of the Capital Securities (subject to customary closing conditions), which could affect future trading of the Capital Securities. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and

may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**ISSUER**

**Abu Dhabi Commercial Bank PJSC**

P.O. Box 939  
Abu Dhabi  
United Arab Emirates

**FISCAL AGENT, CALCULATION AGENT  
AND TRANSFER AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**REGISTRAR**

**Deutsche Bank Luxembourg S.A.**

2 boulevard Konrad Adenauer  
L-1115 Luxembourg

**JOINT LEAD MANAGERS**

**Abu Dhabi Commercial Bank  
PJSC**

P.O. Box 939  
Abu Dhabi  
United Arab Emirates

**Barclays Bank PLC**

1 Churchill Place  
London E14 5HP  
United Kingdom

**Deutsche Bank AG, London  
Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**First Abu Dhabi Bank PJSC**

FAB Building  
Khalifa Business Park – Al  
Qurm District  
P.O. Box 6316  
Abu Dhabi  
United Arab Emirates

**Emirates NBD Bank P.J.S.C.**

c/o Emirates NBD Capital  
1203-1204, Gate – West Wing  
Dubai International Financial  
Centre  
P.O. Box 506710  
Dubai, United Arab Emirates

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Mashreqbank psc**

Mashreqbank Global  
Headquarters  
Al Umniyati Street  
Burj Khalifa Community  
P.O. Box 1250  
Dubai, United Arab Emirates

**Mizuho International plc**

30 Old Bailey  
London EC4M 7AU  
United Kingdom

**LEGAL ADVISERS**

*To the Issuer as to English law and Abu Dhabi  
law*

**Clifford Chance LLP**

9th Floor, Al Sila Tower  
Abu Dhabi Global Market Square  
P.O. Box 26492  
Abu Dhabi  
United Arab Emirates

*To the Joint Lead Managers as to English law and  
Abu Dhabi law*

**Simmons & Simmons LLP**

Level  
17, ICD Brookfield Place Dubai International  
Financial Centre London  
PO Box 506688  
Dubai, United Arab Emirates



## **AUDITORS**

*For the financial years ended 31 December 2021*

*For the period from 1 January 2022*

### **Ernst & Young Middle East (Abu Dhabi Br.)**

P.O. Box 136  
27<sup>th</sup> Floor, Nation Tower 2  
Abu Dhabi Corniche, Abu Dhabi  
United Arab Emirates

### **KPMG Lower Gulf Limited**

15th Floor  
Falcon Tower  
Al Nasr Street  
Abu Dhabi  
P.O. Box 7613  
United Arab Emirates

## **LISTING AGENT**

### **Walkers Listing Services Limited**

5<sup>th</sup> Floor, The Exchange  
George's Dock, IFSC  
Dublin 1, D01 W3P9  
Ireland