CBI

البنك التجاري الدولي

SUPPORTING OUR CUSTOMERS, PEOPLE AND THE UAE COMMUNITY

Annual Report
2023

His Highness

Sheikh Mohammed Bin Zayed Al Nahyan

President of the United Arab Emirates and Ruler of Abu Dhabi

His Highness

Sheikh Mohammed Bin Rashid Al Maktoum

Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai

His Highness

Sheikh Saud Bin Saqr Al Qasimi

Supreme Council Member and Ruler of Ras Al Khaimah

His Highness

Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi

Crown Prince of Ras Al Khaimah

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CBI offers a comprehensive portfolio of banking products, as well as tailor-made financial solutions in Wholesale, Retail and Islamic Banking, ranging from lending, trade services, cash management and Treasury & Markets solutions to personal account services and credit cards.

AT A GLANCE

Total Assets

AED 19 billion

Gross Loans and Advances and Lending to Banks

AED 14.1 billion

Customer Deposits (Including Islamic Deposits)

AED 12.6 billion

FINANCIAL HIGHLIGHTS

Fitch BBB+

[Stable Outlook]

Net Operating Income

AED 544 million

Net Profit

AED 171 million (+14%)

Capital Adequacy Ratio

15.2%

CHAIRMAN MESSAGE

> CBI supports 'We the UAE 2031', the nation's development strategy, and with our technology-driven innovation strategy, the Bank continues to contribute to the UAE's vision of becoming one of the world's leading innovation hubs.

Setting the foundation for a new era

Despite the somewhat mixed economic conditions of the year under review, our Bank delivered another set of impressive results, with strong top and bottom-line growth reflecting the benefits of CBI's strategy. In addition, the Bank made substantial progress in laying sturdy foundations for its continued prosperity in the future, ensuring that it remains on the cutting edge of new technology and social change, and firmly aligned to the nation's overarching blueprint for growth.

The rapid pace of change and disruption in our operating environment has become the new norm, and the 2023 financial year was certainly no exception. Geopolitical tensions rose in response to new and continuing conflicts in the region, and the UAE's domestic growth slowed in response to lower oil prices and production. Additionally, central banks around the world had to keep increasing interest rates to tackle stubbornly high inflation, and this had ramifications on the cost of capital in the corporate sector.

While this had somewhat of a cooling effect in certain sectors, the UAE Government's continuing programme of social and business-friendly reforms has continued to drive international investor interest in the nation, which is increasingly becoming one of the world's premier places to live, work, and play. This has had extraordinarily positive benefits to many elements of the local economy, not the least of which has been the UAE's real estate sector, which continues to grow from strength to strength.

STRENGTHENING SUPPORT FOR RAS AL KHAIMAH

CBI supports 'We the UAE 2031', the nation's development strategy, and with our technology-driven innovation strategy, the Bank continues to contribute to the UAE's vision of becoming one of the world's leading innovation hubs.

Importantly, CBI has reiterated its commitment to Ras Al Khaimah, our original home, and we envision that our relationship will continue to evolve and grow as we strive to become a banking champion for the Emirate.

In response to this vision, CBI became a strategic partner at the inception of Ras Al Khaimah Digital Assets Oasis, the world's first free zone for next generation technology and virtual companies, which launched this year. Similarly, CBI commenced providing advisory and banking support to the ecosystem at the Ras Al Khaimah Free Zone, which is currently the Emirate's main engine of economic growth. With these partnerships, our Bank will be integral to the Emirate's economic transformation.

PARTNERSHIPS DRIVING THE NATIONAL AGENDA

One of the most important partnerships of our 2023 year was with Abu Dhabi Global Market, which launched a federal SME financing marketplace, Numou, to support the growth of this vital segment to economic growth and diversification.

While Numou's initial focus will be the UAE, a longer-term plan could expand the financial products and services provided to UAE enterprises looking to branch out internationally. CBI is honoured to be an anchor partner of this nationally important initiative, as well as being part of the growth journey of emerging businesses.

SAIF ALI AL SHEHHI
CHAIRMAN

ADVANCING OUR ESG COMMITMENTS

The UAE Government named 2023 the Year of Sustainability and also hosted COP28, the 28th United Nations Climate Change conference. As a Bank that is committed to playing a growing role in advancing the strategic goals of the UAE, CBI endeavours to embed sustainability in everything we do.

Our leadership and management are mandated to seek and implement opportunities to become more sustainable as a business, and to ensure the Bank expands its financing and corporate advisory services that progress the ESG agendas of our clients.

AN AWARD-WINNING FORMULA

2023 was another outstanding year for CBI in terms of awards, with the Bank receiving eight accolades.

CBI was particularly proud of the four awards for our innovative approach. Three other awards also recognised the ground-breaking advances made by our Bank in other digital categories.

These awards are both a powerful incentive to keep striving for greater heights, and a validation of the Bank's strategic approach to be the market leader in embracing new technology that has the potential to completely re-shape the entire industry.

OUTLOOK

In the 2024 financial year, CBI is expected to complete our capital-raising exercise.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I offer my sincerest gratitude for the wisdom, guidance, and strategic direction provided by our nation's leader, His Highness Sheikh Mohammed bin Zayed Al Nahyan, President of the UAE, and the leaders of the Emirates; His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai; His Highness Sheikh Saud bin Saqr Al Qasimi, Ruler of Ras Al Khaimah; and His Highness Sheikh Mohammed bin Saud bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah.

I would also like to acknowledge the outstanding efforts of CBI's executive management and everyone else at CBI in delivering another year of exceptional customer service and shareholder value creation. Your dedication and hard work are among our greatest strengths as an organisation.

WE HAVE ACHIEVED SIGNIFICANT RECOGNITION ABOVE AND BEYOND THE FINANCIAL PERFORMANCE OF THE BANK.

CEO of the Year
Middle East Banking AI & Analytics Awards

Innovation in Technology Development
Stevie Awards (Financial Services)

Most Innovative Bank of the Year
Middle East Banking AI & Analytics Awards

Most Innovative Commercial and Personal Bank
UAE Business Awards

Outstanding Innovation
Global Business Excellence Awards

Outstanding Contribution of the Year
AI & Blockchain Eurasia Awards

Outstanding Contribution of the Year
AI & Blockchain Eurasia Awards in partnership with e& and UAE Trade Connect

Cyber Sentinels CISO Award
Global CISO Forum

CEO MESSAGE

The foundations we laid this year have put us in a strong position to grow our income through new avenues for our diversification.

Driving growth and innovation

The banking industry in the UAE is transforming under the dual influences of technology and unprecedented competition. Leaps in computing ability and the emergence of new non-traditional banking players vying customers, assets, and talent are having a rapid and profound impact on the local industry.

Thriving in this environment requires the agile mindset and prudent strategy that have become the hallmarks of CBI's continued prosperity. In the year under review, our excellent financial results confirmed yet again CBI's visionary approach to creating value.

In 2023, the Bank's net profit increased by 14% from AED 150 million in 2022 to AED 171 million. Gross loans and advances and lending to banks came to AED 14.1 billion.

Total assets of AED 19 billion ensured we maintained a strong capital adequacy ratio of 15.2%. This outcome once again confirmed our unwavering implementation across the entire Bank of a compliance mindset that ensures adherence to the highest standards of corporate governance and risk management.

The foundations we laid this year have put us in a strong position to grow our income through new avenues for our diversification.

SEGMENT PERFORMANCE AND PARTNERSHIPS

CBI's **Wholesale Banking Group** (WBG), the Bank's largest contributor to revenues, focused on driving efficiency and retiring costly structured deposits in 2023.

The business unit had a successful year in growing its asset book in the face of stiff competition in the sector, ending the year in a robust liquidity position. In addition, ongoing disposals of WBG's non-core portfolio played an important role in improving our capital utilisation.

WBG's net operating income dipped to AED 316.4 million in 2023, compared to AED 358.7 million in 2022, and profits were AED 65 million in 2023, 81% higher than 2022.

WBG net loans and advances to customers (including Islamic financing) came to AED 11.5 billion in 2023, supported by our persistent focus on asset quality and new opportunities.

It was also an active year for WBG in terms of new partnerships and ventures that laid the foundation for promising business development opportunities in the years ahead.

In 2023, the Government of Ras Al Khaimah established Ras Al Khaimah Digital Assets Oasis, a free zone for virtual companies and entities that participate in Web 3.0, the metaverse, artificial intelligence, e-sports, and many other ground-breaking digital initiatives. CBI, as a strategic partner, from the zone's inception, has provided banking services via WBG to companies in the zone.

ALI SULTAN RAKKAD AL AMRI
CHIEF EXECUTIVE OFFICER

Similarly, WBG signed a memorandum of understanding with RAKEZ, Ras Al Khaimah's economic zone, to support its tenants with banking services.

Our **Treasury & Markets** business expertly managed CBI's liquidity and cost of funds in 2023. Interest income from our lending activities benefited from the higher rates.

Investment in the Treasury platform functionality improved our agility to capture opportunities, reflecting our ongoing commitment to innovation-driven enhancements across the entire Bank.

The Retail Banking Group (RBG) followed in the footsteps of its 2022 performance with another solid result for the year under review, reporting net operating income of AED 59 million.

RBG's strong delivery stemmed from the strategic measures taken in 2022 translating into a material impact in the current year, as well as our shift last year to exit the mass segment to focus on priority customers.

Our CASA ratio was 26.7%, and retail deposits (including Islamic deposits) grew healthily, rising 23% to AED 3.2 billion from AED 2.6 billion in 2022.

UNWAVERING CUSTOMER SERVICE DRIVE

Providing outstanding customer service is at the centre of our business model, and accordingly, we continued to enhance experience and satisfaction levels. We developed channels to secure feedback, with the resulting data used to inform a new customer service strategy that will be implemented in 2024.

During the year we expanded our services and tools, including adding Apple Pay, Samsung Pay, and Google Pay, to further enhance the customer experience.

Our loyal customers also benefited from 18 new strategic partnerships established during the course of 2023. These alliances offer attractive potential, and we look forward to the journey with each one.

SPEARHEADING BANKING INNOVATION

CBI unveiled its Banking in the Future vision in October 2023, its plan to revolutionise the banking industry in the UAE and the region by adopting cutting-edge technologies to enhance the customer experience. During 2023 CBI broke new ground in the UAE banking industry by piloting anamorphic and AI-enabled technologies that will be invaluable in financial education, customer service, and brand and marketing activities.

Thanks to our innovative philosophy, which has encouraged the integration of these applications into our customer-facing and other operations, CBI is the first bank globally or regionally to recognise the extraordinary potential of this technology.

One of the most exciting new capabilities is the use of three-dimensional holographs and virtual avatars to offer a mixed reality channel for customer engagement in our branches. Our successful pilot project in 2023 was followed by a strategic decision to implement this technology in our branches in 2024.

CBI was also pleased to leverage its innovative capabilities by becoming one of the launch partners of Numou, a revolutionary SME financing digital platform established by Abu Dhabi Global Market (ADGM) in 2023.

The new platform, which makes it easier for SMEs to be assessed and apply for loans, fosters an inclusive marketplace for financiers, service providers, community and government partners, as well as emerging businesses.

CBI's role will be to extend credit to SMEs via the platform, alongside two other banks, which have collectively committed to lend up to AED 220 million. Initially serving the UAE, Numou has ambitious plans to expand and connect to regional and international SME markets.

Other notable technology developments in 2023 include partnering with a leading fintech company which uses proprietary AI and machine learning to build macro-resilient credit scoring models. We completed a proof-of-concept and pilot of the platform with the results demonstrating significant potential to enhance our ability to identify risky loans, grant more secure loans, increase client retention and drive financial inclusion by providing a broader range of pre-approved credit options.

We also entered into a partnership with a financial wellness company that facilitates earned wage access that permits people to withdraw their earned salary any day. Our joint efforts will support financial inclusion by providing access to funds for the unbanked and underbanked.

INVESTING IN OUR TALENT

CBI's ambitious Emiratisation strategy was an important focus in 2023, guided by the localisation targets that have been set by the UAE Central Bank. Our efforts this year delivered a substantial increase in the number of UAE Nationals employed by the Bank, with the percentage rising to 26% of our total workforce, compared to 23.9% in 2022.

We are committed to adding a further 20 percentage points over the coming three years to achieve the UAE Central Bank's targets of 45% Emiratisation in the banking sector by 2026.

As part of our attraction and retention campaign to draw more UAE Nationals into the Bank, we have created rewarding career pathways in critical roles and areas in the Bank. As part of this, CBI sent high-performing employees to the leadership and management programmes at IESE in Barcelona and Harvard Business School. To date, 10 Emirati employees have graduated from this development programme.

Mindful of the growing competition in the local banking sector for talented people, we committed additional investment in 2023 to our employer value proposition. This included enhancing our Total Rewards Framework.

ACCELERATING PROGRESS IN 2024

In the coming financial year, CBI will redefine what it means to be a bank. Our pursuit of new revenue streams will continue as we diversify from traditional banking.

In line with the UAE's strategy to position the nation as a hub for innovation, we will remain focused on embedding next-generation technology throughout the Bank. This will include adopting AI to improve our efficiencies as well as investigating practical use cases in the Bank for generative AI and machine learning.

Leveraging the tie-ups we have already secured, we will position CBI for new partnerships and innovation that will advance our market-leading efforts to embrace and disrupt Banking of the Future.

ACKNOWLEDGEMENTS

My executive management team and I offer our gratitude and appreciation to the Central Bank of the UAE, with whom CBI has forged a close working relationship. The regulator's progressive stance in supporting innovation has provided us with exceptional counsel as we navigate towards the Banking of the Future.

To our customers and shareholders – your continued trust in our business model motivates us to new levels of excellence and value creation.

Our Chairman and Board of Directors generously shared their insights and counsel, and their contributions are always gratefully accepted. And finally, to the whole CBI team, thank you for another year of hard work, creativity, and customer-centric thinking. Together we are forging a truly pioneering Bank that will lead the way in the UAE and the wider region.

BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT

Board of Directors
(as of December 31st 2023)

Mr. Saif Ali Al Shehhi
Chairman

Mr. Ali Rashid Al Mohannadi
Vice Chairman

Mr. Mohamed Ali Musabbeh Al Nuaimi
Board Member

Mr. Mubarak Ahmad Bin Fahad Almheiri
Board Member

Ms. Maitha Saeed Al Falasi
Board Member

Dr. Ghaith Hammel Al Ghaith Al Qubaisi
Board Member

Mr. Salaheddin Almabruk AlMadani
Board Member

Ms. Fatma Ibrahim Al Baker
Board Member

Mr. Abdulaziz Khalid Jokhdar
Board Member

Executive Management
(as of December 31st 2023)

Ali Sultan Rakkad Al Amri
Chief Executive Officer

Position Vacant Since March 7th 2023
Chief Financial Officer

Randa Kreidieh
Chief Risk Officer

Evren Altiok
Chief Operating Officer

Hashem Mohammad Ali Abu-Hanak
Chief Credit Officer

Giovanni Everduin
Chief Strategy and Innovation Officer

Kumar Mahapatra
Executive Vice President, Wholesale Banking Group

Hassanain Ali
Executive Vice President, Retail Banking Group

Tawfiq Adnan Zuwayyed
Senior Vice President, Legal

Hala Rawhi Al Safadi
Vice President, Corporate Secretariat
and Investor Relations

David Abraham Pije
Senior Vice President, Compliance

Ziad Abdelghani
Senior Vice President, Internal Audit

OUR STRATEGY

OUR STRATEGY

CBI's corporate strategy consists of three pillars – Streamline, Focus & Grow – to chart a course for the Bank to sustainable growth and value creation for our shareholders as well as our people, customers and community.

STREAMLINE

- Optimise capital allocation
- Strengthen assets quality
- Improve cost efficiency
- Optimise distribution channels

OPTIMISE CAPITAL ALLOCATION

- We will allocate our capital to areas that deliver the highest risk-adjusted returns.
- In Wholesale Banking Group (WBG), we will continue to rationalise the loan portfolio.
- In Retail Banking Group (RBG), we will focus on liabilities and secured lending.
- We will dispose of non-core assets and re-deploy the capital to higher yielding assets.

STRENGTHEN ASSET QUALITY

- We will improve the risk adjusted returns on capital.
- We will increase the weightage of secured lending and de-prioritise unsecured lending.

IMPROVE COST EFFICIENCY

- We will improve our cost income ratio through sustainable cost savings, optimisation, streamlining, digitisation and productivity enhancements.
- We will continue to re-design our branches to offer best-in-class services and experiences to our customers.
- We will reduce bureaucracy and streamline our processes and procedures.

FOCUS

- Focus on priority customers and segmentation
- Differentiate through customer experience
- Establish long-term, value-adding customer relationships

FOCUS ON PRIORITY CUSTOMERS AND SEGMENTATION

- We will implement a "customer experience" focused strategy and provide target customer segments with superior services.
- We will place our customers at the centre of everything we do.
- As a relationship focused Bank, we will build and retain long-term relationships with our target customers.

GROW

- Diversify and increase revenues
- Acquire and retain upwardly mobile clients
- Invest in digital and affluent banking
- Grow product and service offerings
- Invest in our people, UAE Nationals and community

DIVERSIFY & INCREASE REVENUES

- We will penetrate our existing relationships and focus on cross-sale.
- In Wholesale Banking, we will expand the size of our top tier clients, by new-to-bank acquisitions and deepening our existing relationships.
- In Retail Banking, we will continue to grow our CBI First customer base. We will focus on building our newly launched Edge segment, to feed into the growth of CBI First and capture our target customers' life cycles.
- We will enhance our digital banking capabilities. We will use our digital channels not only to serve our existing customers better, but also to acquire new customers.
- We will increase our revenues, by growth in both assets and commission generating products and services, such as trade services, transaction banking, cash management, foreign exchange, remittances and insurance.

INVEST IN OUR PEOPLE AND COMMUNITY

- We will invest in our people by developing and implementing world-class talent management practices, and executing learning and development strategies.
- We will continue to prioritise our Emiratisation strategy.
- We will transform the Bank's culture to enable a client-centric, collaborative and high-performance organisation.
- We will continue to invest into the community and help support the development of the UAE economy.

BUSINESS REVIEW

BUSINESS REVIEW

WHOLESALE BANKING GROUP AND TREASURY & MARKETS

CBI's Wholesale Banking Group (WBG) and Treasury & Markets operations performed well in 2023, demonstrating resilience in overcoming challenges posed by the persistently high global interest rates that affected individual and corporate customers alike. Alongside our sturdy performance, the division advanced its transformation to position it for future growth, while maintaining a strong focus on cost mitigation.

The entire global banking industry grappled with the consequences of unrelentingly high interest rates in 2023. A strong performance from the UAE's real estate sector, and Dubai in particular, partially alleviated the impact on UAE banks. Nonetheless, there was fierce competition among financial institutions for asset growth.

WBG's response was to drive efficiency and retire costly liabilities. We booked significant assets during the year and ended the 12-month period in a positive liquidity position. Our programme to sell off our non-core portfolio continued, ensuring that we optimised capital utilisation.

In 2023, we improved the Treasury platform's functionality as part of our ongoing innovation to stay close to our customers and to keep enhancing our agility to capture opportunities.

STRONG PROFIT GROWTH

Our strategy delivered a strong result from Wholesale Banking, with profits rising 81% to AED 65 million and net operating income reaching AED 316.4 million.

WBG net loans and advances to customers (including Islamic financing) came to AED 11.5 billion in 2023, supported by our persistent focus on asset quality and new opportunities.

In 2023, WBG launched a factoring product to provide clients with options around their immediate cash requirements. The Bank's trade financing program is aimed at meeting our clients' requirements for short to medium-term domestic and global supply chain financing. As a result of our long-established relationships, we have deep insights into their working capital cycles and the sales and payment terms of their underlying business.

A key component of our offering is a suite of financing products outside the traditional letters of credit and documentary collections environment. This adds value to existing open account trade instruments, including through local bill discounting and invoice discounting.

NEW AVENUES FOR GROWTH

During the year, CBI joined a consortium of banks along with UTC, the Etisalat-owned venture, to work towards a new project on e-bank guarantee that would be issued and received via a platform that the member banks can access to expand and facilitate their business. CBI is part of the consortium's steering and working committee.

During the year, the Bank also signed MOUs with a number of UAE free zones for potential account opening leads. Additionally, there have been discussions with a number of fintechs, which are in advanced stages, for partnerships aimed towards business development.

TREASURY OPPORTUNITIES FROM THE INTEREST RATE CHALLENGE

Our Treasury & Markets operation continued to create value for the Bank, managing the Bank's liquidity and cost of funds commendably. The high interest rate environment affected the Bank's cost of funding and interest income from lending.

Persistently high interest rates did, however, provide opportunities for our Treasury team to focus on interest rate derivatives to manage our clients' exposures.

STRENGTHENING CUSTOMER ENGAGEMENT

In a competitive environment, customer experience becomes an important differentiator. Accordingly, WBG concentrated on improving turnaround times in 2023, and engaging more with our key customers who have come to rely on our high standard of dedicated and personalised service.

During the first half of the year, we hosted a seminar led by two industry tax experts to discuss the new UAE Federal Corporate Tax regime. It provided a comprehensive overview of the regime, delved into key considerations and shared practical guidance on how businesses could better prepare for the changes and potential impacts, supporting our clients in understanding the fundamentals of the tax and assisting them in effectively navigating the corporate tax landscape moving forward.

Later in the year, we hosted a CBI Insights session led by two industry experts on the economic outlook. This seminar was designed to provide our clients with insights into the latest economic trends and data-driven analysis, including actionable strategies that they could leverage to make well-informed decisions and help steer clear of global economic complexities.

WBG IN 2024

Our WBG unit will embark on a capital raising exercise in 2024, having received approval from the UAE Central Bank. The intention is to raise AED 889.1 million and will be used to repay our existing additional tier one capital and finance the Bank's growth.

New software will be launched to help clients book foreign exchange transactions directly on our platform in real time. This game-changing technology is expected to boost our foreign exchange revenues.

We will be vigilant in strengthening our balance sheet and maintaining a tight focus on cost efficiencies. This will be matched by additional efforts to secure new, profitable partnerships to diversify our income stream, and further platform enhancements delivered by our ongoing digitalisation programme.

BUSINESS REVIEW

RETAIL BANKING GROUP

CBI's Retail Banking Group (RBG) reaped the rewards in 2023 of strategic measures adopted in the previous year, delivering new products and services that raised our level of customer service and created value for our shareholders.

RBG's performance in the year being reviewed was buoyed by strong growth in net income that reflected the division's resilience and its strategic shift in 2022 to exit the mass segment to focus on priority customers.

RBG maintained its robust trajectory from 2022, achieving its ambitious targets for the current year, and making an impressive contribution to CBI's overall performance for the year.

Net operating income decreased to AED 59 million from AED 63.1 million in 2022. Our CASA ratio was 26.7%. Deposits grew healthily, rising 23% to AED 3.2 billion from AED 2.6 billion in 2022.

Our assets declined by 5% to AED 1.1 billion, while our liabilities were 23% higher at AED 3.2 billion.

STRATEGIC DIVERSIFICATION

Our year was characterised by a number of new initiatives to diversify our revenue streams.

With our focus on attracting more affluent retail customers, our product and services offering was pitched to appeal to banking customers who appreciate more personalised services. Accordingly, we continued innovating and launching products to appeal to our wealthier customers, providing them with competitive features and benefits.

Our top performer in 2023 was our prestigious World Elite Exclusive Credit Card, a by-invitation-only product in partnership with MasterCard. The card, which was expressly designed for ultra-high net worth individuals, saw solid uptake and produced positive results.

We also revamped some of our other cards, including CBI First and CBI Edge, which are also aimed at the affluent segment. The refreshed branding and features launched to the market supported growth in CBI First and CBI Edge cards issued in 2023.

INNOVATION AND DIGITALISATION

RBG delivered a substantial number of innovation and digitalisation initiatives in 2023, in line with CBI's Banking in the Future vision, which was unveiled at GITEX Global 2023 in October in Dubai.

The Bank intends to be an innovator in the banking industry in the UAE and the region, and accordingly, took the opportunity of the global GITEX audience to showcase its embrace of cutting-edge technologies to enhance the customer experience.

During 2023, we started testing and piloting a range of anamorphic and AI-enabled technology for financial education, customer service, and brand and marketing. In many of these areas, we are the first bank globally or regionally to be adopt these far-reaching innovations.

Following the groundwork laid in 2022 when we introduced CBI credit cards for use in Samsung Pay and Google Pay digital wallets, we expanded this capability this year by making Apple Pay, Samsung Pay, and Google Pay available through our platforms to great success.

CONTINUAL IMPROVEMENT IN CUSTOMER SERVICE

Over the course of 2023, RBG worked closely with CBI's consumer protection team to improve the 80% customer satisfaction score we received from a mystery shopping report. Following our efforts, our score improved to 86%, and we will continue to drive improvements to hit our 90%+ target.

Importantly, we developed a better understanding of our customers' needs and expectations, and consequently implemented new initiatives for securing feedback on service and experience.

This initiative will be supported by striving to gather instant customer feedback after any customer interaction, as well as further mystery shopping reports to inform better decision making.

LOOKING AHEAD TO 2024

Our momentum will continue in the year ahead, with a focus on continuing to deliver growth in our card division. We plan to relaunch CBI First credit card with new features to further support our customers' lifestyles.

We have identified the potential to leverage home loans to grow our asset book. Additionally, we plan to launch a Wealth Management division, which will also contribute to our asset growth.

Partnerships will remain a focus, similarly, we anticipate new joint-ventures to drive innovation and bring new products to market.

OUR PEOPLE

OUR PEOPLE

CBI's people demonstrated their resilience, competence and innovation in overcoming challenges and effectively adapting to a rapidly evolving and complex operating environment, working together to capitalise on opportunities and deliver value for the Bank and its stakeholders in 2023.

Our solid culture and dedicated workforce demonstrated focus and resilience in 2023. Our market was characterised by macroeconomic challenges in the UAE along with intensified competition in the banking sector, spurred by the rising strength of fintech challengers.

Successfully navigating these changes, our people rose to every challenge and once again proved their individual and collective ability to drive progress and achievements for the Bank.

CULTURAL TRANSFORMATION DRIVING PROGRESS

A critical building block of CBI's strength and fortitude in taking such challenges and turning them into opportunities is our culture. More than that, our leadership has demonstrated their insight and astuteness in understanding that culture is not static: it too needs to change to ensure that the Bank remains well-equipped to continue delivering value to all its stakeholders.

In the past three years, CBI has built the necessary foundation and infrastructure to transform into a high-performing culture, driving sustainable success and accelerating growth. We strengthened the Bank's leadership, hired new talent with skills vital to the business, and embedded succession planning to ensure smooth and stable continuity across our experienced management team. Equally importantly, we embarked on a strategy to create excellent career paths for our UAE National employees, supporting better recruitment, development, and retention of talented Emiratis at every level.

In 2023, we made substantial investments in identifying, developing, and communicating the steps we need to maintain the momentum in the evolution of our culture.

Beginning at the top of the organisation, we collaborated with an external expert to identify the 10 distinctive leadership behaviours required to shape our culture for success. Sessions were held with 40 of our leaders to embed these new behaviours as the foundation of our future prosperity. We also conducted awareness sessions and inductions across our Bank.

Our annual engagement survey was followed by the creation of focus groups who created an action plan to drive improvements in alignment, engagement, work-life balance, collaboration, feedback and other key areas.

These and many other activities helped us to achieve incremental improvements in our culture, day after day, placing the entire organisation on an even stronger footing to thrive in our complex industry.

GROWING WORKFORCE, GROWING DIVERSITY

By the end of the 2023 year, our workforce had increased to 453 full-time employees from 35 different nationalities. We hired 66 new staff, which brought our female employees total to 193, a notable increase in the percentage of women working for the Bank. By year-end, four out of every five UAE Nationals employed by CBI were women.

We will continue to invest in and empower our female employees. As a result of our development programme, female UAE Nationals are increasingly occupying leadership roles across the Bank in functions such as Risk and IT.

DEVELOPING KNOWLEDGE AND CAPABILITIES

With our commitment to investing in our people one of the foundations of our cultural transformation, learning and development played a particularly important role in 2023.

Over 400 of our people took part in the extensive 22,273 training sessions conducted during the year. In total, more than 10,000 hours of learning were delivered in 2023.

We also ran peer-to-peer learning sessions on numerous topics, which included Banking in the Metaverse, Understanding Blockchain, Cryptocurrency and Tokenization and, Mental Toughness and High Performance, while many employees completed self-paced learning – a collaboration with LinkedIn Learning.

2023 saw the expansion of our IESE programme from its initial focus on the development of our Emirati staff. This year, 30 senior leaders from across the Bank embarked on a customised programme to strengthen the knowledge and skills of our Bank's current and future leaders.

As part of our ongoing support of our employees' continuing professional development, the Bank sponsored 26 of our staff in securing professional certifications in areas such as Commercial Banking and Credit Analyst (CBCA) Certification Program, risk modelling, anti-money laundering and people management.

We will continue to support our employees to acquire and develop best-in-class skills and capabilities to execute their responsibilities with growing excellence. Investing in them is an investment in the Bank.

LEVERAGING OUR TALENTED UAE NATIONALS

CBI continues to follow an ambitious Emiratisation strategy, which paid off handsomely in 2023 with a substantial increase in the number of UAE Nationals employed by the Bank. By the end of the year, Emiratis comprised over 25% of our total workforce, compared to 23% in 2022.

The continued drive to increase this percentage is expected to deliver a further 20% over the coming three years, and we are committed to achieving in CBI the targets set by the UAE Central Bank of 45% Emiratisation in the banking sector by 2026.

Our focus on Emiratisation goes beyond attracting the best possible talent. We are also focused on supporting our existing employees to build rewarding careers in critical roles and areas in the Bank and to become leaders from within.

We have implemented measures to develop rewarding career pathways in critical roles and areas in the Bank, complemented by our partnerships with IESE in Barcelona and Harvard Business School to enhance leadership and management skills. To date, 10 Emirati employees have graduated from this development programme.

In 2023, we also collaborated with the Emirates Institute of Finance (EIF), as part of our Emirati development strategy. We enrolled our second intake of UAE National graduates in the Ethraa programme of classroom-based and on-the-job learning modules to raise the skills levels of Emiratis in the banking sector. All attendees received an internationally accredited certification.

STRENGTHENING OUR EMPLOYER BRAND AND VALUE PROPOSITION

Competition in the domestic and global banking sector is growing rapidly, and naturally, this is putting pressure on the availability of key talent. Accordingly, a strong employer brand and reputation have become even more critical to the successful recruitment and retention of quality people.

To this end, we further invested in our value proposition in 2023, improving our Total Rewards Framework, which launched in 2021.

CBI believes that a harmonious working environment plays an important role in productivity and employee engagement. Following the relocation of our head office in Dubai in 2022, we opened our Sharjah Office in 2023, which has provided an invigorating environment, designed to engender high levels of productivity and enhanced engagement.

Our annual Employee Engagement Survey, which is managed by a well-regarded independent third party, delivered a pleasing outcome, with our overall score one point above the industry average and even higher in key categories. Following the survey, focus groups were formed to workshop the findings, and develop new and enhance existing strategies to further improve engagement.

CONTINUED PROGRESS AND TRANSFORMATION IN 2024

In the coming year, CBI will continue to prioritise our cultural transformation journey to ensure we remain proficient at attracting and retaining talent, and to keep motivating our people to perform their best.

Our efforts will include adopting measures to encourage staff to align their day-to-day practices with CBI's 10 leadership behaviours.

In an increasingly competitive environment, we will maintain our robust talent programme, placing particular emphasis on attracting Emiratis to achieve our Emiratisation strategy and support the national Emiratisation agenda.

As a UAE bank, we will continue to serve our nation, employees, and customers by building and nurturing a thriving culture and motivating our talent to deliver a prosperous future.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

1. CHAIRMAN'S STATEMENT

Commercial Bank International (CBI) places strong emphasis on the effective implementation of corporate governance practices aligned with both international standards and local regulations, integrating them seamlessly into the Bank's organisational culture. CBI attributes its long-term business success to the meticulous execution of key strategies, with a significant commitment from the Board to uphold the quality, integrity, and transparency of financial reports.

The success of CBI is intricately tied to its belief that corporate governance plays a pivotal role in fostering trust among shareholders, particularly minority stakeholders. This is achieved by enhancing transparency in ownership and control and implementing robust monitoring systems for strategic business management. The Board of Directors and the Executive Management consider corporate governance as an indispensable element in building and sustaining shareholders' trust.

In ensuring adherence to corporate governance principles, the Board of Directors oversees the overall functioning of CBI. Additionally, the Board actively promotes institutional values, policies, and internal procedures applicable to all members, including the Executive Management and employees of the Bank.

CBI remains committed to continuous improvement, regularly reviewing its policies in key areas such as corporate governance, risk management, internal controls, compliance, internal audit, financial reporting, external audit, and outsourcing. This ongoing review process aims to ensure that the policies align with current regulatory requirements. Any updates or amendments to existing policies undergo approval by the Board or the relevant Board committee, reflecting CBI's dedication to staying in compliance with evolving regulations and maintaining the highest standards of corporate governance.

Saif Ali Al Shehhi
Chairman of the Board

1.1 Applying Corporate Governance Principles

To achieve the corporate governance objectives at Commercial Bank International (CBI), a collective commitment is made by the Board of Directors, Executive Management, and all employees. This commitment is grounded in the governance principles outlined in the Board and Board Committees Charters, the Bank-wide Code of Conduct, and the Management Committees Terms of Reference, along with other related Corporate Governance policies.

CBI adheres to corporate governance standards that align with the prevailing national laws, regulations, and codes. The Bank operates within the regulatory framework established by the Central Bank of the United Arab Emirates (CBUAE) and the Securities and Commodities Authority (SCA). Additionally, CBI follows guidelines and international best practices set forth by the Basel Committee on Banking Supervision (BCBS).

Within the organisational structure of CBI, a comprehensive set of corporate governance policies and procedures is in place. Clear demarcation exists between the roles and responsibilities of the Board of Directors and those of the Executive Management. The Board assumes a supervisory role, overseeing the Bank and providing strategic direction through the approval of key policies, strategic initiatives, and objectives. Meanwhile, the day-to-day operations are entrusted to the Chief Executive Officer (CEO) and the Executive Management Team.

The Annual Corporate Governance Report serves as a tool for transparent disclosure of governance practices within CBI. It not only reflects the core values of the Bank but also outlines policies that all stakeholders, including employees and investors, must adhere to. The report encompasses various aspects, including the capital structure, controls, shareholders' rights, development of the Board Charter and its committees systems, related parties' transactions policy, and the periodic review of professional conduct principles. The overarching goal is to ensure the application of best professional practices that align with the evolving needs and objectives of CBI. Through this commitment to transparency and adherence to governance principles, CBI seeks to foster trust among stakeholders and uphold the highest standards of corporate governance.

2. THE BOARD OF DIRECTORS (BOARD)

The Board of Commercial Bank International maintains an active and engaged approach to governance through scheduled meetings held at least six times annually. During these gatherings, the Board undertakes comprehensive reviews and approvals of various critical aspects that significantly impact the Bank's operations and long-term trajectory.

One of the primary functions of these meetings is the scrutiny and endorsement of the annual budgets, a pivotal element in guiding the financial direction of CBI. This includes a meticulous examination of capital expenditures, which are crucial for the Bank's growth and sustainability. The Board, in these sessions, also evaluates and approves strategic and business plans that set the course for the Bank's future endeavours.

Furthermore, the periodic financial results of CBI undergo a thorough assessment during these meetings. This allows the Board to gain insights into the Bank's financial performance, identify areas of strength, and address any challenges that may arise. Additionally, the review of new and renewed policies forms an integral part of the Board's responsibilities, demonstrating a commitment to maintaining a robust risk management framework aligned with industry best practices.

Beyond these specific areas, the Board takes on a proactive role in overseeing CBI's progress in achieving its strategic goals and objectives. This involves regular monitoring and evaluation, enabling the Board to recommend adjustments as needed. This adaptive approach reflects the Board's commitment to steering the Bank toward success in a dynamic and ever-evolving financial landscape.

In the realm of internal control, the Board ensures the implementation of a comprehensive system. This includes but is not limited to, risk management, defining risk appetite, ensuring compliance with regulatory requirements, maintaining financial control, and overseeing the activities of the Internal Audit function. These efforts collectively contribute to a robust governance structure, instilling confidence in stakeholders and ensuring the integrity, security, and efficiency of CBI's operations. The Board's multifaceted responsibilities underscore its dedication to safeguarding the Bank's interests, promoting transparency, and upholding the highest standards of corporate governance.

For newly appointed members, CBI provides an extensive Board induction programme which is tailored to fit their role, experience and skillset. The induction programme comprises meetings with other Board members, executive management as well as comprehensive guidance on the duties and responsibilities of Board Members, the Bank's policies, procedures, and relevant legal and regulatory requirement.

2.1 Board Structure

In compliance with CBI's Articles of Association, nine (9) members of the Board are elected or nominated for three (3) years renewable for the same period as per the Board approved Nomination Policy. The Board has the widest authority to oversee the Management of CBI and the right to appoint several managers or authorised persons and to vest in them the right to sign, solely or jointly, on behalf of CBI. Members of the Board must have the necessary expertise and skills that qualify them to conduct their duties towards CBI's best interests. They are also committed to spending the required amount of time and attention towards the accomplishment of their duties for the duration of their tenure.

2.2 Board Composition and Size

At the Annual General Meeting (AGM) held on February 28, 2023, nine esteemed individuals, including two female members, were officially appointed to serve on the CBI Board. These appointments received the approval from the Central Bank of the United Arab Emirates (CBUAE), affirming the collective expertise and capabilities of the newly appointed Board members.

Within this composition, a noteworthy distinction exists between the Board members, with five individuals designated as independent members and four as non-independent members, representing Qatar National Bank (QNB).

In addition, the inclusion of two female members in the Board reflects CBI's commitment to diversity and inclusion, acknowledging the valuable contributions of individuals from different backgrounds. This commitment not only aligns with principles of good governance but also underscores the recognition of the importance of diverse perspectives in shaping the Bank's strategy and operations.

The Board members possess a rich array of skills, including but not limited to financial expertise and proficiency in various related fields. Their collective knowledge and experience form a solid foundation for steering CBI through the intricacies of the financial landscape. This diverse skill set ensures that the Board is well-equipped to navigate challenges, make informed strategic decisions, and uphold the highest standards of governance.

Each Board Member owes CBI the fiduciary duties of care, confidentiality, and loyalty as per the rules set out in related laws and regulations. Board Members act on an informed basis, in good faith, with due diligence and in the best interests of CBI and all shareholders effectively to fulfilling their responsibilities towards CBI.

2.3 Members of the Board of Directors

	Name	Position	Date Of Appointment	Brief Profile
1	Mr. Saif Ali Al Shehhi (Independent, Non-Executive)	Chairperson	26 July 2020 as member of Board and 2 November 2020 as Chairperson (re-appointed on 28 February 2023)	Mr. Al Shehhi has previously held board positions in Abu Dhabi Investment Company, ADIB International Washington DC, Etihad Credit Insurance, Mastercard, National Takaful Company and Visa International as well as executive management positions in Aafaq Islamic Finance and National Bank of Abu Dhabi. He has also previously served as the Head of Foreign and Local Banks in the UAE Central Bank. Mr. Al Shehhi holds a BA in Management and Technology from the Central New England College (Worcester, Massachusetts, U.S.).
2	Mr. Ali Rashid Al Mohannadi (Non- Independent, Non-Executive)	Vice Chairman	30 March 2020 (re-appointed on 28 February 2023)	Mr. Al Mohannadi is currently also the Executive General Manager and Chief Operating Officer of Qatar National Bank. He is the Chairman of QNB Alahli (Egypt) and previously served in the Boards of QNB Finansbank and QNB Tunisia. Mr. Al Mohannadi holds a BSc in Computer Science from Qatar University (Qatar).
3	Mr. Mubarak Bin Fahad Al Mheiri (Independent, Non-Executive)	Member	30 March 2020 (re-appointed on 28 February 2023)	Mr. Al Mheiri is highly accomplished entrepreneur, particularly renowned in the restaurant industry. He currently also serves a board member of Arqaam Capital and Seera Investment Bank. He has previously held executive management positions in Al Khaleej Investment, Dubai Department of Tourism and Dubai World Trade Centre. Mr. Al Mheiri holds an MBA in Strategic Management from Birmingham University (United Kingdom) and a BSc in Finance, Insurance and Management from Northeastern University (Boston, U.S.).
4	Mr. Mohamed Ali Musabbeh Al Nuaimi (Independent, Non-Executive)	Member	24 March 2021 (re-appointed on 28 February 2023)	Mr. Al Nuaimi is currently the Chairman of RAK Chamber and a board member of RAK Properties. He has previously held board positions and executive management roles in Mawarid Finance and National Bank of Dubai. Mr. Al Nuaimi holds a BA in Business Management from Newbury College (Brookline, Massachusetts, U.S.).
5	Dr. Ghaith Hammel Al Ghaith Al Qubaisi (Independent, Non-Executive)	Member	30 March 2020 (re-appointed on 28 February 2023)	Dr. Al Qubaisi is renowned businessman. He currently serves as a member of the National Consultative Council and a board member of Al Ain Al Ahliya Insurance Company, Al Ghaith Holding and Makaseb Islamic Financial Services. Dr. Al Qubaisi holds a PhD in Business Management from Cambridge International College (United Kingdom).
6	Ms. Maitha Saeed Al Falasi (Independent, Non-Executive)	Member	30 March 2020 (re-appointed on 28 February 2023)	Ms. Al Falasi is an Investment Adviser with several International investment companies and a commodity hedge fund. She served for 9 years as the Director of Asset Management at DIFC, overseeing 12 investment Funds including Art Dubai and Smart Stream. She has previously also held executive management positions in DIFC Investments and a director position on eight multinational boards. Ms. Al Falasi holds an Executive MBA in Finance & Business Leadership from London Business School (United Kingdom), and she is a certified Corporate Governance director from Hawkamah (UAE). In 2020, Ms Maitha was nominated to be a member of the Order of the Party Guelfa in Italy; she is a Guelph Senator and has been coronated as "Lady".
7	Mr. Salaheddin Almabruk Al Madani (Non- Independent, Non-Executive)	Member	25 April 2022 (re-appointed on 28 February 2023)	Mr. AlMadani is currently also the Senior Vice President / Regional Credit at QNB and is a board member of QNB Tunisia. He has previously held management roles in Qatar National Bank. Mr. AlMadani holds a BSc in Accounting and Finance from the American University (Sharjah, UAE).
8	Mrs. Fatma Ibrahim Al Baker (Non- Independent, Non-Executive)	Member	28 February 2023	Mrs. Al Baker is currently also the Executive Vice President – Infrastructure Services at QNB Group and used to Head the Application Development for 7 years. Mrs. Al Baker holds a Programming Diploma from College of the North Atlantic (Doha, Qatar).
9	Mr. Abdulaziz Khalid Jokhdar (Non- Independent, Non-Executive)	Member	28 February 2023	Mr. Jokhdar is currently the Chief Executive Officer of QNB – Riyadh (Kingdom of Saudi Arabia). Mr. Jokhdar holds an MBA from Stetson University (U.S.) and a BA in Finance from the University of Central Florida (U.S.).

2.4 Board Meetings

In 2023, the Board of Directors held six (6) meetings:

Board Member	18th January	28th February	8th May	12th June	2nd August	26th October
Mr. Saif Ali Al Shehhi	√	√	√	√	√	√
Mr. Ali Rashid Al Mohannadi	√	√	√	√	√	√
Mr. Mubarak Ahmad Bin Fahad Al Mheiri	√	√	√	√	√	√
Mr. Mohamed Ali Musabbeh Al Nuaimi	√	x	√	√	√	√
Dr. Ghaith Hammel Al Ghaith Al Qubaisi	√	x	√	√	x	√
Ms. Maitha Saeed Al Falasi	√	x	√	√	√	√
Mr. Salaheddin Almabruk AlMadani	√	√	√	√	√	√
Ms. Fatma Ibrahim Al Baker	NA	√	√	√	√	√
Mr. Abdulaziz Khalid Jokhdar	NA	√	√	√	√	√

2.5 The Committees of the Board

To enhance the effectiveness of governance practices, the Board of Directors has established five specialised committees, each granted specific authorities to assist in fulfilling the Board's responsibilities. These committees play a crucial role in delving into specific areas such as risk management, audit, and remuneration, providing valuable insights and recommendations to the Board.

Board Audit Committee (BAC)

The Board Audit Committee (BAC) plays a crucial role in overseeing various aspects related to the financial integrity and governance of CBI. Its primary responsibilities include monitoring the quality and integrity of CBI's accounting policies, ensuring the accuracy of financial reporting and disclosure, and assessing the robustness of the internal controls framework. The committee also ensures compliance with legal and regulatory requirements.

Additionally, the Audit Committee evaluates the independence and qualifications of external auditors, scrutinising their performance, output, and the reports submitted by the internal audit function. To gain a comprehensive understanding, the committee actively engages with Management, the Internal Audit Department, and external auditors, seeking explanations and insights into the effectiveness of control mechanisms within CBI.

In instances where special investigations are deemed necessary, the Audit Committee takes on the role of overseeing these investigations, demonstrating its commitment to maintaining the highest standards of transparency, accountability, and financial integrity within the organisation. Through its vigilant oversight, the Audit Committee contributes significantly to ensuring CBI's adherence to regulatory standards and the protection of stakeholders' interests.

Membership

The membership of the committee was restructured on 28th February 2023. Ms. Maitha Al Falasi and Mr. Abdulaziz Jokhdar were appointed in the Board Audit Committee. The Committee held six meetings during the year 2023.

Name	Position	Attendance
Mr. Mohamed Ali Al Nuaimi	Chairperson	6/6
Ms. Maitha Al Falasi	Vice Chairperson	1/6
Mr. Abdulaziz Jokhdar	Member	4/6

Board Risk Committee (BRC)

The Board Risk Committee (BRC) holds a critical role in the governance structure of Commercial Bank International (CBI). Its primary responsibilities include reviewing and endorsing key elements of CBI's risk management framework. This encompasses the risk management strategy, compliance frameworks and policies, risk appetite profile, as well as the monitoring of risk concentrations and trends.

The BRC actively oversees the monitoring activities conducted by the Management Risk Committee, ensuring that risk-related processes are effectively carried out. Furthermore, the BRC takes a direct role in overseeing the functions of Compliance and Risk within the organisation. This hands-on approach demonstrates the committee's commitment to maintaining a robust risk management structure, aligned with best practices and regulatory standards.

By actively participating in the oversight of risk-related matters, the Board Risk Committee plays a crucial role in safeguarding CBI's financial stability and resilience. Its diligence contributes to the Bank's ability to navigate a dynamic and challenging financial landscape while ensuring compliance with regulations and protecting the interests of stakeholders.

Membership

The membership of the committee was restructured on 28th February 2023. Mrs. Fatma Al Baker was appointed as a member of the Board Risk Committee. The Committee held four meetings during the year 2023.

Name	Position	Attendance
Mr. Mubarak Bin Fahad Al Mheiri	Chairperson	4/4
Dr. Ghaith Hammel Al Ghaith	Vice Chairperson	2/4
Mrs. Fatma Al Baker	Member	4/4

Board Credit Committee (BCC)

The Board Credit Committee (BCC), operates within the delegated authority set by the Board and recommended by the Internal Credit Committee, holds a pivotal role in the lending decision-making process at Commercial Bank International (CBI). Tasked with overseeing CBI's credit portfolio, the BCC diligently reviews credit processes, procedures, and policies to ensure the onboarding of a high-quality credit profile.

The committee plays a crucial role in guiding CBI's core lending operations by supervising and renewing overall customer credit, managing inter-group investment exposures, and monitoring portfolio concentration. This oversight extends to the regular review of the credit portfolio, including watch and non-performing loans, to maintain the health and quality of CBI's credit assets.

One of the primary responsibilities of the BCC is to recommend all credit proposals that require Board approval. Additionally, the committee approves or recommends actions to be taken on impaired loans within the delegated limits. As part of its comprehensive oversight, the BCC periodically reviews the status of pending litigation matters, ensuring a proactive approach to managing potential risks and legal challenges.

Membership
The Committee held four meetings during the year 2023.

Name	Position	Attendance
Mr. Salaheddin AlMadani	Chairperson	4/4
Mr. Mohamed Al Nuaimi	Vice Chairperson	3/4
Mr. Mubarak Bin Fahad Al Mheiri	Member	4/4

Board Nomination and Remuneration Committee (BNRC)

The Board Nomination and Remuneration Committee (BNRC) reviews and approves policies in relation to the for nomination of the Board members and appointment of CEO Direct Reports and other related HR policies, the composition and diversity of the Board, its mix of skills, knowledge and experience, and the relative proportion of Independent and Non-Executive Director, the needed skills required for Board membership and identify the suitable profile and future needs and the independence of Independent Directors and the strategy and business plans related to human resources, Emiratization and training and monitor their implementation and recommends remuneration to the Board of Directors.

The oversight of incentive and compensation policies is a critical responsibility of the Board Nomination and Remuneration Committee (BNRC). This governance structure ensures that all designs, systems, and compensation frameworks are benchmarked against industry-leading standards and fully comply with the regulations of the Central Bank of the United Arab Emirates (CBUAE). Utilising services from top-tier providers for benchmarking, the BNRC diligently aligns these structures with the best market practices. Every policy, compensation structure, title framework, and benefit package undergoes an internal review process and receives preliminary approval from the BNRC. This is followed by final approval from the board, reflecting a commitment to transparency, accountability, and adherence to corporate governance standards.

Membership
The committee was restructured at the board meeting held on 8th May 2023. It held two meetings during the year 2023.

Name	Position	Attendance
Mr. Ali Rashid Al Mohannadi	Chairperson	2/2
Mr. Mohamed Al Nuaimi	Vice Chairperson	1/2
Mr. Mubarak Ahmad Fahad Al Mheiri	Member	2/2

Board Executive Committee (BEXCO)

The Board Executive Committee is primarily responsible for the development and overseeing of the CBI's long-term strategy and its implementation. The Committee reviews CBI's annual budgets, delegation of authorities, business plans and expenditure limits for Centralized Purchasing Committee, business planning, corporate social responsibility, marketing and communications, CBI's internal policies. The Committee further reviews the real estate portfolio, adjust the Reserve Value (as defined in the Real Estate Policy) for each of the Special Assets, subject to Board's approval. The Committee further oversees negotiations with sellers, buyers, vendors and consultants in order to conclude all relevant transactions in relation to real estate portfolio and approve the sale and disposal of special assets as deemed appropriate.

Membership
The committee was restructured at the board meeting held on 8th May 2023. It held one meeting during the year 2023.

Name	Position	Attendance
Mr. Ali Rashid Al Mohannadi	Chairperson	1/1
Mr. Mohamed Ali Alnuaimi	Vice Chairperson	1/1
Ms. Maitha Saeed Al Falasi	Member	1/1
Dr. Ghaith Hammel Al Ghaith	Member	0/1

2.6 Assessment of the Board and its Committees

Following the regulations set forth by the Central Bank (CB), every bank is obligated to undergo an evaluation of its Board and Committees by an external third party at least once every five years. Additionally, in compliance with the Securities and Commodities Authority (SCA) Requirements, this evaluation is mandated to be conducted every three years. Accordingly, Commercial Bank International (CBI) has enlisted PwC to conduct a comprehensive assessment of both its Board and Board Committees. The outcomes of this assessment received a thorough review by the Board Nomination and Remuneration Committee. The Board consistently endeavours to enhance the development of governance practices.

3. CHIEF EXECUTIVE OFFICER

Mr. Ali Sultan Rakkad Al Amri is the Chief Executive Officer ("CEO") of CBI. He is a versatile banker with over 22 years of financial services experience across various senior management roles with leading local and foreign financial institutions. He started his career at CBI as a Senior Corporate Officer in 2000, then spent the next eight years working with banks such as Emirates NBD, as a Manager in Corporate Banking. He was also a Senior Relationship Manager at Barclays, and the Head of Business Development at Noor Islamic Bank, prior to returning to CBI in 2010 as the Chief Wholesale Banking Officer appointed as acting CEO in 2019 before his confirmation in 2020. He received Executive Education in Management from IESE Business School in Spain. He also holds an MBA from the University of Jordan and completed his Bachelor's degree in Marketing from Ajman University's School of Business.

4. EXECUTIVE MANAGEMENT

The CEO leads a team of 11 executives, each contributing to the strategic direction of the organisation.

CBI's Executive Management is keenly attuned to its corporate governance responsibilities, demonstrating a steadfast commitment to executing legislative requirements and adhering to the Board's directives. This commitment is instrumental in fortifying the control environment across various processes and banking activities. It encompasses identifying deviations from objectives, aligning operations to meet desired goals, and implementing corrective actions when necessary.

Presently, the role of the CFO is vacant following the ex-CFO's departure in March 2023, with the expectation that the new candidate will join in early 2024.

The Executive Management is comprised of the personnel listed below:

	Name	Position	Date of Nomination to the Role	Brief Profile
1	Evren Altiok	Chief Operating Officer	21/01/2020	Mr. Altiok has over 23 years of international banking experience across a wide range of disciplines, including strategy and planning, business development, and communications and audit. He has previously served as the Regional Director of Communications for HSBC (for the Middle East, North Africa and Turkey region) and has held a number of other senior leadership roles in HSBC and Merrill Lynch (including as Director of Strategy Planning and Communication, Chief of Staff to the Chief Executive Officer and Head of Corporate Audit). Mr. Altiok holds a MSc in International Relations from the London School of Economics.
2	Randa Kreidieh	Chief Risk Officer	21/11/2021	Ms. Kreidieh has over 21 years of financial services experience and specialises in implementing robust risk and control frameworks and establishing strong governance cultures. She has previously held key senior positions at Emirates NBD Bank PJSC and its subsidiaries (including as the Chief Operating Officer and the Head of Risk and Governance). She joined the Company in 2017 as the Head of Centralised Governance and the Acting Chief Risk Officer. Ms. Kreidieh is a member of the Institute of Canadian Bankers and a certified financial specialist from the American Academy of Financial Management. She has completed the IESE Business School's Programme for Management Development and holds a Higher Diploma in Bank Management and Financial Studies from the Emirates Institute for Banking and Financial Services.
3	Hashem Mohammed Ali Abu-Hanak	Chief Credit Officer	21/01/2020	Mr. Abu-Hanak has over 26 years of banking experience and has held various positions in the Company since joining in 2000, including the Head of Corporate Credit Risk and the Head of Large Corporates for the Wholesale Banking Group. Before joining the Company, he worked as a Credit Analyst for Jordan Kuwait Bank. Mr. Abu-Hanak holds a degree in Business Administration with a concentration in Accounting from the University of Al Yarmouk (Jordan).
4	Giovanni Everduin	Chief Strategy and Innovation Officer	04/03/2021	Mr. Everduin has over 21 years of experience driving change and delivering strategic benefits to organisations across the globe. Prior to joining the Company, he has worked for several notable organisations in senior industry and consulting roles, including Accenture in London. He has also served as the Chief People Officer for Tanfeeth (subsidiary of Emirates NBD Bank PJSC). Mr. Everduin is an alumnus of the Harvard Business School and holds a BA in Organisational and Social Psychology from the University of Groningen (The Netherlands).
5	Kumar Mahapatra	Executive Vice President – Wholesale Banking Group	23/03/2020	Mr. Mahapatra has over 26 years of banking and financial sector experience. Prior to joining the Company, he worked in the corporate and investment banking divisions of various financial institutions across the UAE and India, including Calyon (Credit Agricole), Emirates NBD, HDFC and ICICI. Mr. Mahapatra holds a BA in Economics from Delhi University (India) and an MBA in Finance from Graduate School of Business and Administration (India).
6	Hassanain Ali	Executive Vice President – Retail Banking Group	01/12/2019	Mr. Ali has over 23 years of banking and finance sector experience. He has been with the Company for over six years and, before being appointed as the Executive Vice President – Retail Banking Group, served as the Company's Head of Corporate Banking. Prior to joining the Company, he worked for a number of global and local banks, including Emirates NBD Bank PJSC, First Gulf Bank PJSC (where he served as the Vice President of the Large Corporates Division) and Standard Chartered Bank. Mr. Ali graduated with distinction from the Higher Colleges of Technology (UAE) and holds a Higher Diploma in Banking and Finance and a BA in Applied Science.
7	Tawfiq Adnan Zuwayyed	Senior Vice President – Legal	14/02/2021	Mr. Zuwayyed has over 30 years of legal industry experience. He joined the Company as General Legal Counsel before being appointed as Senior Vice President – Legal. Prior to joining the Company, he held a number of senior roles across various banks in the UAE (including Deputy General Counsel for Abu Dhabi Islamic Bank PJSC and Group Chief Legal Counsel for First Gulf Bank PJSC). Mr. Zuwayyed holds a law degree from the University of Jordan, an MBA from the New York Institute of Technology and a MA in International Business Law from the Paris-Sorbonne University.

	Name	Position	Date of Nomination to the Role	Brief Profile
8	Hala Rawhi Al Safadi	Vice President – Corporate Secretariat and Investor Relations	07/04/2020	Ms. Al Safadi has over 12 years of secretarial and legal experience in the financial services sector. She started her career with Emirates NBD Bank PJSC, where she held various corporate secretarial and legal roles, before joining the Company in 2019. Ms. Al Safadi holds a BA in English Language and Translation from Petra University (Amman, Jordan) and is a Certified Board Secretary from the Hawkamah Institute for Corporate Governance.
9	David Abraham Pije	Senior Vice President – Compliance	22/03/2020	Mr. Pije has over 20 years of compliance experience, having worked with leading international financial institutions in Europe, the Americas and the MENA region through his career. Prior to joining the Company, he was the Head of Compliance for a leading UAE bank. Mr. Pije holds a LLM in Business Law from Radboud Universiteit Nijmegen, a MA in European Studies from Universiteit van Amsterdam and an Executive Master's degree in Compliance and Integrity Management from Vrije Universiteit Amsterdam. He is also a Certified Anti-Money Laundering Specialist (CAMS).
10	Ziad Abdelghani	Senior Vice President – Internal Audit	08/11/2020	Mr. Abdelghani over 26 years of experience in auditing, primarily for the banking sector, across a multitude of internal audit disciplines (including operational audits and corporate and retail audits). Prior to joining the Company, he was the Senior Operations Auditor for Housing Bank for Trade and Finance in Jordan and the Senior Credit Auditor for the National Bank of Abu Dhabi PJSC. He joined the Company in 2011 as a Senior Audit Manager and was promoted to become the Head of Fraud Prevention and Investigation before assuming his current position as the Senior Vice President – Internal Audit. Mr. Abdelghani holds an MBA from the University of Leicester (United Kingdom). He is a Certified Management Accountant from the Institute of Management Accountants and a Certified Internal Auditor from the International Institute of Internal Auditors. He is also a recipient of the William S. Smith CIA -Certificate of Honor Award by the International Institute of Internal Auditors.

5. MANAGEMENT COMMITTEES

The Executive Management, in pursuit of robust corporate governance practices, has instituted a comprehensive framework comprising nine committees. These committees are strategically designed and meticulously structured to address specific facets of the organisation's operations, ensuring a thorough and focused approach to governance. Each committee plays a crucial role in overseeing and enhancing various aspects of CBI's functions, fostering transparency, accountability, and effective decision-making across the spectrum of the Bank's activities. This multi-committee structure underscores the Executive Management's dedication to upholding the highest standards of corporate governance and promoting a well-rounded framework that aligns with both regulatory requirements and best industry practices.

Executive Management Committee

The Executive Management Committee is responsible for the overall management, including day-to-day operations and administration, of the Company and its subsidiaries, within the framework of the Company's policies, its terms of reference and such other directives as the Board may determine from time to time.

The Executive Management Committee is comprised of: Chief Executive Officer (Chairperson), Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Chief Credit Officer, Executive Vice President – Wholesale Banking Group, Chief Strategy & Innovation Officer, Executive Vice President – Retail Banking Group, Senior Vice President – Legal, Senior Vice President – Compliance, Senior Vice President – Internal Audit (non-voting), and Vice President – Corporate Secretariat and Investor Relations (non-voting).

Management Risk Committee

The Management Risk Committee is responsible for reviewing the Company's risk management strategy as well as its risk control framework, evaluating the monitoring process, and reporting the Company's annual UAE Central Bank and internal capital adequacy assessment process (ICAAP) regulatory requirements and compliance-related programmes at the management level.

The Management Risk Committee is comprised of: Chief Executive Officer (Chairperson), Chief Risk Officer, Senior Vice President – Legal, Senior Vice President – Compliance, Chief Credit Officer, Chief Financial Officer (as a permanent invitee), Chief Operating Officer (as a permanent invitee), Senior Vice President – Internal Audit (as a permanent invitee), Executive Vice President – Wholesale Banking Group (as a permanent invitee), Executive Vice President – Retail Banking Group (as a permanent invitee), Vice President – Information Security (as a permanent invitee), Senior Vice President – Treasury (by invitation), and attendee from Risk Management Department (as secretary).

Assets and Liabilities Committee

The Assets and Liabilities Committee is responsible for monitoring all treasury activities, interest rate risk, liquidity, and foreign exchange risks across the Company and reviews and recommends strategies, policies and procedures relating to asset liability management across the Company, including reporting to the Board as and when required. The Assets and Liabilities Committee is also responsible for ensuring compliance with treasury limits and ratios approved by the Board and required by the UAE Central Bank. The committee also reviews movement of interest rates which effects funding, liquidity, and profitability.

The Assets and Liabilities Committee is comprised of: Chief Executive Officer (Chairperson), Chief Financial Officer (Vice Chairperson), Chief Risk Officer, Chief Operating Officer, Chief Credit Officer, Senior Vice President – Treasury, Executive Vice President – Wholesale Banking Group, Executive Vice President – Retail Banking Group, Vice President – Market Risk, and Head of Treasury Sales (as secretary).

Central Procurement Committee

The Central Procurement Committee is responsible for reviewing and approving procurements, proposals for disposing movables of real estate assets, engaging suppliers for products and services requests, within the applicable policies and the authorised limits, overseeing the process of bids, negotiating contracts, approving vendors list and ensuring compliance procurement and tender policies.

.The Central Procurement Committee is comprised of: Chief Executive Officer (Chairperson), Chief Financial Officer (Vice Chairperson), Chief Operating Officer, Senior Vice President – Legal, Executive Vice President – Retail Banking Group, attendee from Procurement Department (as secretary), and Senior Vice President – Internal Audit (as observer).

Internal Credit Committee

The Internal Credit Committee: (i) reviews the credit and lending strategies and objectives of the Company; (ii) reviews the credit risk management of the Company including reviewing internal credit policies, portfolio limits, portfolio data/analytics and portfolio reporting; and (iii) reviews the quality and performance of the Company's credit portfolio. The Internal Credit Committee is also responsible for facilitating the effective supervision and overall control of the Wholesale Banking Group by reviewing overall credit risk of the customer/group at the time of onboarding and interim/annual review of the facilities. The committee approves credit facilities within the authorised limit set for it by the Board. The Internal Credit Committee also reviews credit proposals exceeding its delegated authorised limit and makes recommendations to the Board Credit Committee. The committee is responsible for regularly updating the Board Credit Committee in respect of the facilities approved by the Internal Credit Committee as well as on the quality of the portfolio.

The Internal Credit Committee is comprised of: Chief Executive Officer (Chairperson), Chief Credit Officer, Executive Vice President – Wholesale Banking Group, and Chief Risk Officer (as a permanent invitee).

Products and Conduct Committee

The Products and Conduct Committee is responsible for reviewing and approving the banking products and services currently offered and to be offered by the Company to its customers and for setting the requirements and considerations associated with launching and decommissioning any product or service, including reviewing its feasibility from the perspective of operations, human resources, marketing, capital, funding, pricing, tax, accounting, regulatory requirements in terms of reporting, consumer protection and ethical behaviour. In addition, the committee reviews and identifies reputational and legal risks in the Company's current and proposed product and services offerings and ensures that all Bank products and services are aligned with the Company's strategy and comply with the applicable regulations.

The Products and Conduct Committee is comprised of: Chief Risk Officer (Chairperson), Chief Credit Officer (Vice Chairperson), Chief Financial Officer, Chief Operating Officer, Senior Vice President – Compliance, attendee from Risk Management Department (as secretary), Senior Vice President – Legal (as legal adviser), Senior Vice President – Internal Audit (as observer).

Asset Quality Committee

The Asset Quality Committee is responsible for reviewing non-performing assets for the Wholesale Banking Group and large exposures of retail customers. It also allocates provisions in relation to non-performing assets in accordance with the UAE Central Bank regulations and IFRS and reviews adequacy of collaterals available to the Company in relation to the non-performing assets. The Asset Quality Committee also ensures that non-performing accounts are classified internally and externally according to the UAE Central Bank regulations and any other applicable standards.

The Asset Quality Committee is comprised of: Chief Risk Officer (Chairperson), Chief Financial Officer (Vice Chairperson), Senior Vice President – Legal, Chief Credit Officer (as a permanent invitee), Executive Vice President – Wholesale Banking Group (as a permanent invitee), and Vice President – Remedial (as secretary).

Compliance Committee

The Compliance Committee manages compliance matters that have a potential bank-wide impact. Additionally, it serves as a high-level forum to which matters, such as transactions, onboarding of prospective customers and reviews of existing relationships, may be escalated. The Compliance Committee also monitors progress of existing projects related to compliance.

The Compliance Committee is comprised of: Chief Executive Officer (Chairperson), Senior Vice President – Compliance (Vice Chairperson), Chief Risk Officer, Executive Vice President – Wholesale Banking Group, Executive Vice President – Retail Banking Group, Chief Operating Officer, and Money Laundering Reporting Officer (as secretary).

- **Special Investment Committee**

The Special Investment Committee is responsible for reviewing and managing the affairs of all investments held by the Bank and any of its subsidiaries, which are not fundamental for carrying out banking activities; joint ventures (JVs), equity investments, shares, stocks, real estate properties and other assets related to strategic partnerships and innovation, but excluding wholesale banking investments, loan assets or customers' investments or any matters that fall within the authorities of the Assets and Liabilities Committee.

The Special Investment Committee is comprised of: Chief Executive Officer (Chairperson), Strategy and Innovation Officer (Vice Chairperson), Chief Financial Officer, Chief Risk Officer, Chief Credit Officer, Chief Operating Officer, Executive Vice President – Wholesale Banking Group Executive Vice President – Retail Banking Group , Senior Vice President – Legal as an invitee and Senior Vice President, Internal Audit as observer.

6. INTERNAL CONTROL SYSTEM

The Board assumes ultimate responsibility for the internal control system at CBI, overseeing the formulation of specific policies, guidelines, and controls that comprehensively cover all transactions within the organisation. Delegated authority limits, privileges, authorisations, and related monitoring processes are determined with a focus on the segregation of duties and dual control. Additionally, the Board takes charge of CBI's Risk Appetite Statement and the suite of risk policies.

The Audit Committee, operating independently, ensures the effectiveness of operating systems and control processes. This involves monitoring, overseeing, and evaluating the duties and responsibilities of Management, the Internal Audit Function, and external auditors. The committee ensures the satisfactory resolution of major issues reported by the Internal Audit Department, external auditors, and regulators.

The Executive Management of CBI is entrusted with the overall control of these systems, working in coordination with the relevant Heads of Departments. Their responsibility encompasses establishing a network of processes to facilitate smooth and efficient workflows across all functions of CBI, along with implementing operational controls.

The established systems and controls provide the Board with reasonable assurance that data and information published internally or externally are accurate, reliable, and timely. Furthermore, they ensure compliance with CBI's Risk Appetite Statement, policies, standards, plans, procedures, and relevant laws and regulations. The protection of CBI's resources, including its people, systems, data/information bases, and customer information, is a priority. Additionally, the focus is on acquiring and employing resources profitably, emphasizing quality and continuous improvement, and setting realistic plans, programs, goals, and objectives.

CBI adopts a three-line defense model, where business and process units constitute the first line. They undertake risks within assigned limits and are responsible for identifying, assessing, and controlling the risks of their businesses. The second line comprises control functions, such as risk management and Compliance, ensuring appropriate identification and management of risks in the business and process units. The Chief Risk Officer and the Head of Compliance report to the Chief Executive Officer, with direct access to the Board Risk Committee. The third line of defense is the internal audit function, providing independent assessments of the effectiveness of processes in the first and second lines of defense. The Head of the Internal Audit Department reports directly to the Board Audit Committee, offering assurance on these processes and providing value-added recommendations for improvement and the promotion of best practices.

6.1 Compliance Department

Compliance Monitoring and Oversight

The Compliance Department headed by Mr. David Pije steadily continued in 2023 to enhance its monitoring activities, assurance role and advisory role to its stakeholders. CBI has mechanisms in place to monitor and ensure proper implementation of regulatory requirements in a timely manner. During the year 2023 CBI was subject to both internal and external audits that focused comprehensively on compliance controls. The formal outcomes of audits and actions taken on such points to enhance a number of controls have been validated by Internal Audit and confirmed by the Head of Compliance. Furthermore, progress of compliance-driven actions are tracked via the relevant committees that gather periodically, i.e., predominantly the Compliance Committee and Board Risk Committee.

CBI maintains an efficient follow-up process to ensure completeness of actions required to be taken by relevant stakeholders across the organisation. The follow-up is managed by the Compliance Department, which directly reports to the CEO and has unrestricted access to the Board Risk Committee. The importance of the Compliance Department continues to grow due to an observed increase in CBUAE regulations and a regulatory expectation that more assurance be performed by Compliance with a view to ensure that compliance obligations operationalised in the Business are adhered to. Accordingly, the Regulatory Compliance Department responsible for carrying out such assurance has grown during the year.

During 2023, the Executive Management continued to assist in ensuring that compliance obligations associated with a number of newly issued regulations are met, including compliance-driven projects to enhance existing processes and supported CBI's business and operations departments to provide regulatory updates and seek approvals, where required.

Regulatory Compliance

CBI continued to strengthen and improve communication channels with its regulators, to ensure that it provides the regulatory authorities with accurate, clear and transparent information in order to assist regulators in their supervisory duties. Regulatory Compliance is the key team whose task is to ensure that regulatory requests be actioned accurately and timely. Moreover, new regulation shared by CBUAE with any supervised bank undergoes a thorough analysis by the Regulatory Compliance team with a view to ensure that any potential gaps are well understood. Moreover, subsequent allocation to 'owners' of the respective regulation is subsequently carried out and monitored to conclusion (where such regulations carry deadlines).

During the year 2023, CBI performed effective, timely and proper reporting to the regulatory authorities of specific regulatory-driven obligations. The Regulatory Compliance continues to perform a gap analysis on CBUAE key regulations in order to ensure the adherence to and compliance of CBUAE requirements across the Bank.

Compliance Department assisted in managing requests for "non-objection" from CBUAE in cases where third party arrangements either constitute material outsourcing or a launch of new financial products. In 2023, despite multiple challenges, the Regulatory Compliance team was again strengthened to ensure that the increased regulatory demand can be duly absorbed by the Bank. We continue to observe a reinvigorated regulatory interest in the way in which banks report their customer-related data, especially as regards those that have a US nexus (i.e., FATCA) and those considered to be non-residents of UAE (i.e., Common Reporting Standards, "CRS"). Heightened expectations have been observed on UAE banks where such banks could now be potentially held liable for inadequately disclosed self-assessments of its customers that do not get properly challenged. Such self-assessments relate to the customer's tax position.

International Sanctions Programs and Tools

Compliance Department continues to have a Sanctions Policy and monitoring system to support CBI's commitment to comply with the relevant sanctions programs and different laws and regulations in all related jurisdictions. The Sanctions Policy forbids the Bank to facilitate business with a number of countries/regions irrespective of currency, general of specific license (which may render a transaction legally permissible) or regardless of whether such business is direct or indirect. Challenges have been observed in this area due to the changed geo-political landscape, which in turn has impacted to some extent the risk appetite of the Bank in terms of onboarding and transacting of categories of customers.

During 2023 further enhancements have been made in relation to the efficiency and effectiveness of CBI's monitoring of transactions which may indicate potential money laundering patterns. Furthermore, the sanctions monitoring system, as well as the related embedded criteria, are regularly revisited and amended, considering the new updates and challenges in different sanctions programs and the applicable laws and regulations, taking into consideration the differences in the scope and requirements of each nature of sanctions. During 2023 an independent party now periodically tested and tuned the Compliance monitoring and payment screening systems the outcome was satisfactory. The AML monitoring scenario-testing is still ongoing.

The Compliance Department created multiple e-learnings and bespoke trainings during 2023, with regards to Financial Crime (Anti-Money Laundering (including Trade Based Money Laundering "TBML"), and Sanctions (targeted financial sanctions and proliferation financing included)), FATCA and CRS compliance, Conflict of Interest, and others. Also, a new Compliance (FinCrime and Regulatory) Induction training was launched to all new joiners using a specialised application.

Combating Financial Crime

Monitoring of compliance with laws, provisions and standards is considered the common prominent responsibility of the Compliance Department, Executive Management and the Board. Compliance Department is an independent function, characterised by an official status within CBI, which undertakes the identification, evaluation, monitoring and reporting of compliance risks, which include the risk of legal sanctions, legislative and financial loss, or damage to the reputation of CBI as a result of failure to abide by laws and regulations, the Compliance Policy and the standards of good practices. In order to enable the Compliance Department to efficiently perform its functions and responsibilities, it has been granted authority to deal with compliance matters within CBI's activities and has been given unrestricted access to all information, employee records and CBI's operations in the UAE.

Compliance Department is also empowered to conduct investigations relevant to any possible irregularity. The Compliance Department's responsibilities are carried out through the implementation of a compliance program that specifies its activities on an annual basis. The Board Risk Committee approves the Compliance policies and Compliance procedures are approved at the appropriate management committee level. The Compliance Department submits periodic reports to the Board Risk Committee, Management Risk Committee and Compliance Committee concerning relevant regulatory updates, compliance issues, irregularities, and the corrective actions hence implemented.

In 2023, next to having its Sanctions Policy, AML/CTF/KYC Policy, FATCA/CRS Policy updated, Compliance Department continued to review and improve the Suspicious Transaction Reporting (STR) to CBUAE. Furthermore, to strengthen the compliance culture in CBI, a number of compliance key performance indicators were rolled out to virtually all staff which aims to drive more accountability for compliance bank-wide and which was linked to year-end deliverables.

Major highlights/accomplishments for 2023 include:

- Testing and tuning of the Bank's sanctions system, and Transactions Monitoring System (stage 1 in line of the approved testing methodology document)
- Risk-based actions have been planned/ executed to enhance technology e.g., existing payment screening (thresholds testing and introducing of robotics) and AML-monitoring tools, New / Enhanced AML scenario (e.g., modes of deposits on credit cards, TBML Monitoring, etc.) monitoring for KYC deviations)
- Compliance updated its AML Transactions Monitoring and Sanctions Screening systems to the latest versions.
- Compliance took ownership of the Insider Trading Policy, and accordingly updated the same and properly documented the monitoring procedures.

The Head of Compliance participates in various Management Committees, including the Compliance Committee (as Deputy Chairman), the Management Risk Committee as a voting member and routinely in other Management Committees including Internal Control Committee as a non-voting observer but a value- adding member. Further, the Money Laundering Reporting Officer (MLRO) participates in the Compliance Committee as a non-voting member in the capacity of Secretary, and in the Board Risk Committee (mainly twice a year) to provide the Board updates on FinCrime related aspects. Mr. Wael Al Halabi assumed the role of the Head of FinCrime Compliance and MLRO in May 2019 to date.

6.2 Risk Management Department

The Risk Management Department, under the leadership of Chief Risk Officer Mrs. Randa Kreidieh, continues to uphold the highest standards in managing the Bank's risks. In 2023, we have reinforced our commitment to robust risk management practices by aligning with the Corporate Governance Standards issued by the Central Bank of the United Arab Emirates (CBUAE).

Our risk management strategies are designed to comprehensively address and mitigate various risks while maintaining confidentiality. The Risk Management Department's core responsibilities include:

- Developing and implementing a comprehensive risk framework.
- Establishing policies and procedures for risk identification, assessment, and monitoring.
- Conducting independent risk oversight as part of our strategic planning.
- Managing operational, credit, market, strategic, legal, reputational, and external risks.

In 2023, a significant focus has been on embracing the newly established consumer protection regulations and controls. This function has played a crucial role in safeguarding consumer interests and enhancing our operational integrity. Our activities in this area include:

- Formulating and reviewing risk management strategies related to consumer protection.
- Evaluating and enhancing control mechanisms for consumer-centric activities.
- Continuously monitoring and adapting to new regulatory requirements.

Looking ahead, we anticipate and are prepared for various foreseeable risks, including those related to the economic environment, technological advancements, and regulatory changes. Our proactive approach ensures that we remain resilient and agile in the face of evolving challenges.

The Bank's risk appetite framework has been further refined with both quantitative and qualitative measures. These measures are integral to our risk-based performance monitoring and align with the Bank's vision and strategy. The Risk Management Department ensures that these measures are consistently evaluated and integrated into our business units' operational plans.

6.3 Internal Audit Department

The Internal Audit Department headed by Mr. Ziad Abdelghani serves as an independent appraisal function with the primary mandate of evaluating the adequacy and effectiveness of controls, systems, policies, and procedures within the organisation.

The objectives of the Internal Audit Function for the year 2023 are as follows:

- Review business activities across departments to ensure alignment with CBI's objectives, policies, procedures, and regulatory requirements.
- Assess the reliability and integrity of financial and operating information, including identification, measurement, classification, and reporting mechanisms.
- Appraise the efficiency of resource utilisation.
- Evaluate governance and risk management processes.

The Internal Audit Function is directly accountable to the Board through the Board Audit Committee. Key aspects of accountability include:

- Periodic assessment of the adequacy and effectiveness of CBI's processes for controlling activities and managing risks.
- Reporting significant issues related to governance, risk management, and internal control processes, along with recommendations for improvement.
- Periodic updates on the status and results of the audit plan and the sufficiency of internal audit resources.
- Coordination with and an overview of other control and monitoring functions such as risk management, compliance, and information security.

The Head of Internal Audit Department reports functionally to the Board Audit Committee and administratively to the CEO. The appointment, removal, and compensation of the Head of Internal Audit Department fall under the purview of the Audit Committee, ensuring the independence and objectivity of the Internal Audit function.

To preserve objectivity and independence, the Internal Audit function refrains from direct operational responsibilities or authority over audited activities. The function does not implement controls, develop procedures, install systems, or engage in any activity that may compromise the internal auditor's judgment. However, upon request, it may review systems under development or implementation and advise on appropriate controls.

On a regular basis, the Internal Audit function collaborates with the Finance Department and external auditors to facilitate the timely release and publication of quarterly results, adhering to statutory requirements. The Head of Internal Audit Department actively participates as a non-voting observer but a value-adding member in various committees, including the Management Risk Committee, Compliance Committee and Centralized Purchase Committee.

7. CONSUMER PROTECTION: A KEY PILLAR OF OUR GOVERNANCE IN 2023

In 2023, CBI proudly continued its journey in enhancing consumer protection, a testament to our unwavering commitment to responsible banking. This dedicated page not only highlights our key accomplishments in this domain but also underscores our active role in shaping industry-wide consumer protection standards.

As a proactive member of the UBF's Consumer Protection Standards Regulation Committee, CBI has been at the forefront of advocating and implementing customer-centric policies. Our involvement in this committee underscores our leadership and commitment to:

- Developing Industry-Wide Consumer Protection Standards: Collaboratively working with other members to elevate the standards of consumer protection across the banking sector in the UAE.
- Influencing Policy Making: Actively contributing to the formulation of consumer-centric regulatory policies, ensuring they reflect the real needs and concerns of consumers.
- Sharing Best Practices: Exchanging insights and strategies with other industry players to continuously improve consumer protection practices.

Our consumer protection strategy is built on transparency, fairness, and responsiveness. It encompasses:

- Regulatory Compliance: Rigorously adhering to both national and committee-established consumer protection regulations.
- Customer Education: Launching initiatives to educate customers on their rights and safe banking practices.
- Effective Feedback Mechanisms: Establishing robust channels for customer feedback, ensuring their voices are heard and acted upon.

Our major milestones in 2023 include the following:

- Implementation of Committee Guidelines: Successfully integrating UBF committee guidelines into our operational framework.
- Innovative Consumer-Centric Products: Developing new products and services with a primary focus on consumer needs and safety.
- Enhanced Data Protection: Fortifying cybersecurity measures to protect consumer data.

8. EXTERNAL AUDITORS

In accordance with the Federal Law no. (32) of 2021 concerning Commercial Companies, SCA Corporate Governance Rules and CBUAE Regulations; CBI's General Assembly appoints an external auditor for one (1) fiscal year based on recommendations made by the Audit Committee and the Board, provided the external auditor is not appointed for more than six years (partner to be replaced after a period of 3 years).

The General Assembly evaluates the performance of the external auditors and approves their appointment, and their remuneration external auditors attend the General Assembly meeting to present their report and answer any queries raised by shareholders. In accordance with International Standards on Auditing, the external auditor conducts an audit of CBI's financial statements, quarterly and annually. The external auditor presents their reports to the Board and the General Assembly in conformity with the laws of the UAE.

At the AGM held on 28th February 2023, Grant Thornton was appointed as the Bank's auditors for the financial year ending on December 31, 2023, for fees amounting to six hundred and twenty-four thousand UAE dirhams. (624,000 dirhams) excluding value added tax and incidental expenses.

9. CREDIT RATINGS

The following table highlights the ratings of CBI by two leading rating agencies worldwide:

CBI	Fitch Issuer Default Rating (IDR)	Capital Intelligence Foreign Currency Rating (FCR)
Long-Term Rating	BBB+	BBB+
Short-Term Rating	F2	A2
Outlook	Stable	Stable

10. CAPITAL AND SHARES

The authorised, issued and fully paid-up share capital of CBI totalling AED 1,737,383,050.00 (One Billion Seven Hundred Thirty Seven Million Three Hundred Eighty Three Thousand and Fifty Dirhams) consists of 1,737,383,050 (One Billion Seven Hundred Thirty Seven Million Three Hundred Eighty Three Thousand and Fifty) ordinary shares of AED 1 (One Dirham) each.

On 4th October 2023, following the resolutions of the General Assembly meeting of the Bank held on 12 July 2023 ("GA Meeting"), it has been decided to increase the Bank's issued share capital by up to AED 889,100,000 through a rights issue. The new shares will be offered at a nominal value of one (1) dirham per share, with a total of up to 889,100,000 shares to be issued. The Bank will also make certain necessary amendments to the Bank's articles of association arising as a result of the increase to the Bank's issued share capital and to be in accordance with the provisions of Federal Decree-Law No. 32 of 2021 regarding commercial companies (such amendments are in the form presented at the GA Meeting), in addition to approving the business plan in respect of the Bank's capital increase.

11. SHAREHOLDING STRUCTURE OF CBI

As of December 31, 2023, the shareholding structure of CBI was distributed in the following manner:

Citizenship of Owners	Individuals	Companies	Government	Total
UAE	131	23	1	**155**
GCC	152	12	0	**164**
Arab	33	0	0	**33**
Others	18	4	0	**22**
Total	**334**	**39**	**1**	**374**

12. MAJOR SHAREHOLDERS OF CBI

As of December 31, 2023, the following entities have more than 5% shareholding in CBI:

- Qatar National Bank 40%
- Bin Owaida family and Business 22.39%
- Mohd Omar Bin Haidar Investment 11.12%

13. SHAREHOLDERS DISTRIBUTION BASED ON VOLUME

As of December 31, 2023, the shareholding of CBI was distributed in the following volumes:

Share Ownership Volume	Number of Shareholders	Number of Shares Owned	Percentage of Owned Shares
Less than 50,000	290	1,353,267	0.07%
50,000 – 500,000	43	7,923,489	0.45%
500,000 – 5,000,000	18	25,179,331	1.44%
Above 5,000,000	23	1,702,926,963	98.04%
Total	**374**	**1,737,383,050**	**100%**

14. SHAREHOLDERS' RIGHTS

The Corporate Governance practices within CBI protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority shareholders. CBI maintains open and transparent channels of communication with its shareholders and has published all the necessary information for investors and stakeholders on a regular basis through its website, as well as other media.

CBI's Articles of Association also confirm that all capital shares hold equal rights, without discrimination, in terms of ownership in CBI's assets, profits, attendance to the General Assembly meetings and voting, in application of the principle of "one vote per share".

In accordance with the Commercial Companies Law, the Articles of Association states that the General Assembly shall hold one (1) ordinary meeting within four (4) months following the end of each financial year. The Board may call for a meeting of the General Assembly at its own discretion or whenever requested to do so for a certain purpose by the external auditor or by shareholders holding at least 10% of CBI capital.

As of 31st December 2023, CBI held two General Assembly Meetings dated 28th February 2023 and 12th July 2023 consecutively. All related disclosures have been posted on the Bank's website and its dedicated page on Abu Dhabi Exchange Market (ADX) website.

15. STAKEHOLDER ENGAGEMENT AND DISCLOSURE (INVESTOR RELATIONS)

CBI is committed to high standards of transparency and enhancing its disclosures regularly to reflect local and international best-practice. CBI is committed through its Investor Relations function to strong communication with its shareholders and potential investors by ensuring timely and accurate disclosure is made on all material matters regarding CBI, including the financial situation, performance, ownership, and governance of CBI. It abides by all disclosure requirements and furnishes all financial information and audit reports accurately and transparently to remain in line with international best practices as well as local regulatory requirements including financial data, reports of CBUAE, and the disclosures made to the ADX.

CBI affirms that all statements supplied including this regard including Basel III - Pillar 3 Disclosures are, to the best of its knowledge and belief, true, accurate and not misleading. Moreover, all of the CBI's annual financial reports comply with the International Financial Reporting Standards (IFRS) and the applicable provisions of CBUAE regulations. The external auditors' report includes affirmations that they have received all required information and that the audit was conducted in accordance with the International Standards on Auditing (ISA).

16. BOARD MEMBERS DEALINGS AND RELATED PARTY TRANSACTIONS

The Board and the Executive Management review on regular basis all transactions with related parties. In 2023, CBI has not recorded any single transaction with a related party that exceed 5% of CBI's capital or a trading of CBI shares by the Board members. For further information, please refer to item 42 in the Notes to the consolidated financial statements.

17. CONFLICTS OF INTEREST AND INSIDER TRADING

As per the Board approved CBI policies in relation to Conflicts of Interest and Insider Trading, all Board Members, Executive Management and insiders are aware of their legal and regulatory duties and obligations in relation to matters of conflict of interest and insider trading transactions.

No conflict or suspicious transactions have been reported as an insider trading.

18. HANDLING CUSTOMERS' COMPLAINTS

In 2023, creating a customer-centric culture was a paramount objective for CBI, recognising that customer satisfaction and engagement are pivotal to our success and growth. We have intensified our efforts to not only address but also anticipate customer needs, ensuring that our strategies and actions align with this vision.

Customers' feedback, particularly through their complaints, is an invaluable asset for improving and refining the operations at CBI, as we firmly believe that our customers are fundamental to our success and growth. Acknowledging the critical role of our customers in ensuring our ongoing viability and achievement, our Customers' Complaints dedicated team is tasked with the vital role of addressing customer grievances, a key focus area for our executive management in line with best practices in the industry.

This team has been committed to promptly and effectively resolving customer complaints, ensuring satisfaction and compliance with the core CBUAE values of Transparency, Fairness, Empathy, Reliability, and Accessibility. As part of our commitment to fostering a customer-centric culture, we have rolled out several new initiatives:

We have streamlined our complaint handling processes, ensuring quicker and more effective resolution. Our goal was to surpass the 43% mark of complaints resolved within 48 working hours, set in 2022.

In 2023, we achieved a notable milestone by resolving 79% of customer complaints within the agreed 5 working days. This significant enhancement in our response time is attributable to increased efficiency in our processes. We are committed to further elevating this percentage by continuing to streamline and optimise our operational procedures.

CBI has augmented its customer complaint handling strategy by integrating a high-level feedback mechanism. Following the resolution of each complaint, we now initiate comprehensive customer satisfaction surveys. The insights gathered from these surveys are instrumental in driving ongoing enhancements to our service delivery and customer experience strategies.

Complaints are managed on a priority basis with a focus on root-cause analysis. This approach ensures continuous improvement in our processes and service levels, addressing not just the symptoms but the underlying issues.

Ensuring multiple access channels for customers to raise complaints, with a centralised approach to monitoring, managing, and resolving these issues by one dedicated team. This strategy aids in better understanding customer concerns and providing required assistance through their preferred communication channel.

19. BOARD'S REMUNERATION

The Board Nomination and Remuneration Committee reviewed the performance of the Board of Directors and submitted its recommendation in relation to the annual remuneration to the Board of Directors. Upon approval by the Board, the final recommendation for aggregate Board remuneration was submitted for approval to the General Assembly at its meeting held on 28th February 2023. The General Assembly approved a total remuneration of AED 6,000,000 for the Board of Directors for the year ended on 31 December 2022 distributed as follows:

	CBI Board of Directors	Payout (AED)
1	Mr. Saif Ali Al Shehhi – Chairman	1,200,000
2	Mr. Ali Rashid Al Mohannadi – Vice Chairman	600,000
3	Mr. Mubarak Ahmad Bin Fahad Almheiri – Member	600,000
4	Mr. Mohamed Ali Musabbeh Al Nuaimi – Member	600,000
5	Mr. Salaheddin Almabruk Almadani - Member	600,000
6	Ms. Maitha Saeed Al Falasi – Member	600,000
7	Dr. Ghaith Hammel Al Ghaith Al Qubaisi - Member	600,000
8	Mr. Faisal Ali Al Tamimi – Member	600,000
9	Mr. Hamad Salah Al Turkait – Member	600,000
	Total	**6,000,000**

20. CONCLUSION

CBI is committed to fostering a robust corporate governance culture by continually enhancing its existing framework and policies. The organisation is dedicated to adopting the latest best practices, both locally and internationally. This proactive approach is crucial in maintaining and elevating the stability and soundness of the organisation, instilling trust among shareholders, potential investors, and all other stakeholders, even in the face of challenging and competitive market conditions.

Recognising the importance of corporate governance for all financial players in the United Arab Emirates, CBI extends its appreciation to key regulatory bodies, including the Central Bank of UAE, the Securities and Commodities Authority, and the Ministry of Economy and Commerce. These institutions have played a vital role in supporting CBI, ensuring a smooth transition during procedural developments.

Furthermore, CBI expresses gratitude to all its stakeholders for their attention, consideration, and valuable contributions that have collectively shaped the institution into what it is today. The collaborative efforts of regulatory bodies and stakeholders underscore the significance of a collective commitment to strong corporate governance, contributing to the sustained success and resilience of CBI in the ever-evolving financial landscape.

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

Welcome to Commercial Bank International's Sustainability Report for 2023 which highlights our commitment and performance towards environmental, social and governance parameters. This is our fourth report, and we are proud to continue our journey to becoming a more sustainable organisation especially during this Year of Sustainability in the UAE. We report on our ESG and sustainability parameters in line with SCA, ADX ESG, and GRI Guidelines. This report highlights our initiatives to build reliance for our customers, employees, vendors, and communities.

FEEDBACK

We value and welcome your feedback on our report, as well as our performance, to help us improve our operations and reporting in the subsequent years. Please share your feedback with:

Hala Rawhi Al Safadi,
Vice President Corporate Secretariat
and Investor Relations at
hala.alsafadi@cbi.ae

REPORTING SCOPE AND PARAMETERS

This report has been prepared in accordance with GRI Standards – Core Option.

ALIGNMENTS

The report aligns with SCA and ADX ESG Guidelines, GRI G4 Financial Service Sectors disclosures, United Nations Sustainable Development Goals (UNSDGs), United Nations Global Compact (UNGC) Principles, the Paris Climate Agreement, UAE Vision 2021, and UAE Strategy 2050.

COMPARABLE DATA

Certain disclosures in the report showcase our performance for the years 2021, 2022 and 2023 highlighting our primary initiatives.

ASSURANCE

We chose to follow the internal assurance process of reporting, providing our stakeholders with complete trust in the reported information.

- **Year** – This report covers our performance in the Environmental, Social and Governance chapters for the year 2023
- **Entities –** The entity included in the scope of this report is Commercial Bank International
- **Operational Boundary –** This report covers our operation in the UAE only

CEO'S INTRODUCTION

Dear Stakeholders,

I am pleased to present our fourth sustainability report outlining our accomplishments in Environmental, Social and Governance initiatives for the year 2023.

Emphasising our dedication to these areas remains paramount, especially considering the ongoing global shifts impacting the functioning of communities, individuals and economies worldwide.

This year, the UAE had the honour to host Cop28, where, for the first time in the history of the conference there was an agreement to phase out fossil fuels. Similarly, 2023 was designated the Year of Sustainability in the UAE. In tandem with these initiatives, CBI remains dedicated to expanding our sustainability efforts in alignment with global and national visions, prioritising digitisation and environmental responsibility.

We continue to receive strong support and encouragement from our key stakeholders to place greater focus on the ESG agenda. Our aim is to integrate international and national visions into our business strategies and priorities, furthering our drive to make our Bank more sustainable.

I would like to thank our esteemed stakeholders for demonstrating their complete trust and confidence in CBI and for extending their support throughout the year. The CBI team and I look forward to continuing to implement our economic and sustainability agendas with the essential input of our stakeholders.

Ali Sultan Rakkad Al Amri
Chief Executive Officer

KEY ACHIEVEMENTS

ENVIRONMENTAL PERFORMANCE

Our environmental performance continues to return to pre-pandemic levels and experienced some increases in 2023 across several of our metrics. Key environmental metrics in 2023, compared to 2022, include the following:

Our GHG emissions remained at the same levels as 2022.

Total electricity consumption increased 13% from 2022.

Fuel consumption per vehicle owned or leased by the Bank decreased by 42% from 2022.

Water consumption increased by 5% from 2022.

We are continuing to explore the implementation of green initiatives at our new Group offices in Jumeirah and Sharjah, both of which opened in early 2023.

SOCIAL PERFORMANCE

We remain selective in our talent acquisition, focusing on recruiting individuals who align with our culture and objectives. Our comprehensive total rewards system encompasses not only compensation but also a full suite of benefits, ensuring a highly competitive package.

66
new staff members were hired in 2023

453
Our diverse work force of 453 full-time employees across 35 nationalities

25%
of our employees are Emirati, totalling 114 individuals

43%
of our employees are female, totalling 193 individuals

10,175
Total of 10,175 hours of employee training provided

4,718
employees underwent 23 hours of training each

19
As part of our paternity policy, 19 staff members took leave in 2023

FINANCIAL PERFORMANCE

In 2023, we continued to strongly support our customers and the growth of the UAE economy. By continuing to place our customers at the centre of everything we do and through the dedication and hard work of our people, we have increased our net profit 14% from AED 150 million in 2022 to AED 171 million in 2023.

Customer deposits (including Islamic deposits) increased from AED 12.2 billion in 2022 to AED 12.6 billion in 2023, representing a year-on-year growth of 3% and capital adequacy ratio increased from 14.4% in 2022 to 15.2% in 2023.

By strongly focusing on our client relationships, whilst simultaneously pursuing innovative ways of working, we have been able to deliver solid results in 2023.

Net profit
increased 14% from AED 150 million in 2022 to AED 171 million in 2023.

Total assets
stood at AED 19 billion in 2023.

Gross loans and advances and lending to banks
stood at 14.1 billion in 2023.

Customer deposits (including Islamic deposits)
increased by 3% from AED 12.2 billion in 2022 to AED 12.6 billion in 2023.

The intention is to keep this momentum and focus on our ESG agenda in 2024 and future years.

ABOUT CBI

Incorporated in the year 1991, CBI is a local UAE bank serving the leading companies and enterprising people in the UAE for their personal and professional financial needs. Our objective is to assist our clients in prospering in both their personal and professional lives, while aligning with UAE's goals. We aim to engage with consumers, address their diverse needs, and promote diversity and inclusion.

CBI is headquartered in Dubai, incorporated in Ras Al Khaimah and listed on the Abu Dhabi Securities Exchange. The majority of shareholders are UAE citizens, including the Ras Al Khaimah Government and our Board of Directors, chaired by Saif Ali Al Shehhi. We offer a diverse range of banking products and tailored financial solutions in corporate, retail, and Islamic banking. These include loans, trade services, cash management, and treasury & market solutions, personal account services and credit cards.

OUR VISION

To be recognised as a high performing UAE bank for leading companies and ambitious individuals who value long-term banking relationships.

OUR MISSION

Banking on the people of the UAE, CBI helps them to prosper in their personal and business lives, in support of the Nation's vision.

CBI continues to operate an Empathy, Reliability, and Accessibility committee in line with the UAE Banks Federation's (UBF) norms and recommendations. CBI hopes to improve service quality standards and boost consumer trust in the UAE banking sector by following these principles when handling complaints.

We prioritise customer complaints as they are our primary focus. Conducting root-cause analyses ensures continuous improvement CBI's processes and service standards. Providing customers with multiple access channels for filing complaints, as well as a centralised approach to monitoring, managing, and resolving complaints by a single team, has aided in understanding customer concerns, and providing them with necessary assistance through their preferred communication channel.

2024 PLANS

1

Our principles of accountability, customer focus, and trust will continue to be strongly upheld.

2

We continue to focus our efforts on training and promoting UAE nationals to management and executive positions within the company, to align with our aspirational goal of increasing the number of Emiratis at all levels.

3

We continue to recruit graduates and diploma-level individuals with the aim of fostering their skills and growth throughout the Bank through further learning and development opportunities.

4

Our employees continue to be at the core of our business, and we are committed to investing in their skill development, supporting their professional growth and promoting their wellness.

5

We are dedicated to meeting the needs of our staff, clients, and communities across the UAE by maintaining a human-centric approach.

6

We maintain our commitment to invest in the community and contribute to the UAE economy's growth.

ENVIRONMENTAL STEWARDSHIP

At CBI, we assess the environmental impact of our operations through measures focused on energy conservation, waste reduction and minimising greenhouse gas emissions.

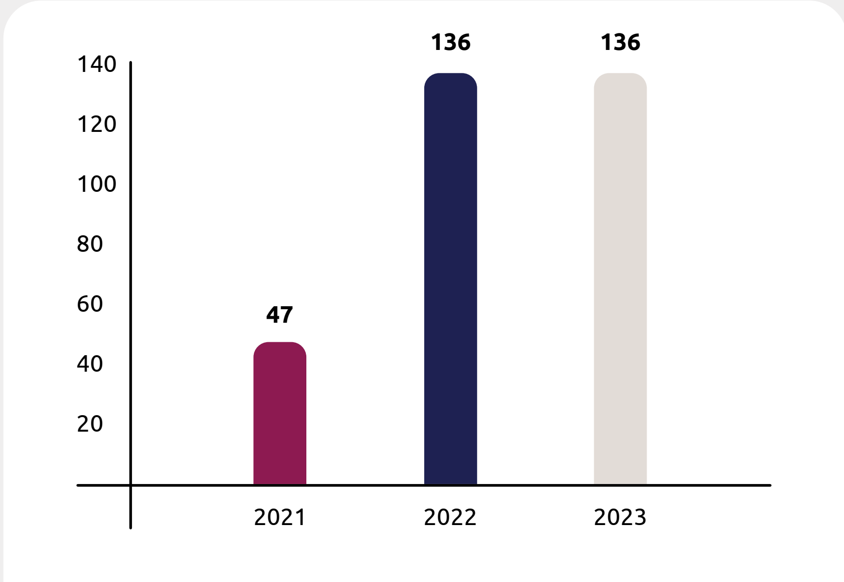
We have established a framework that allows us to analyse and integrate environmental concerns, opportunities, and challenges. CBI's senior management plays an active role in assessing and approving policies and actions concerning environmental issues.

As part of our environmental objectives, we aim to consistently raise awareness among our employees, suppliers, and customers about the importance of reducing their carbon footprint. This involves implementing initiatives such as waste recycling, responsible purchasing, and increasing digital operations to encourage paperless practices. Managing climate change risks and opportunities is crucial, not only for our supply chain, customers, and employees but also for the sustainability of our business.

GHG EMISSIONS

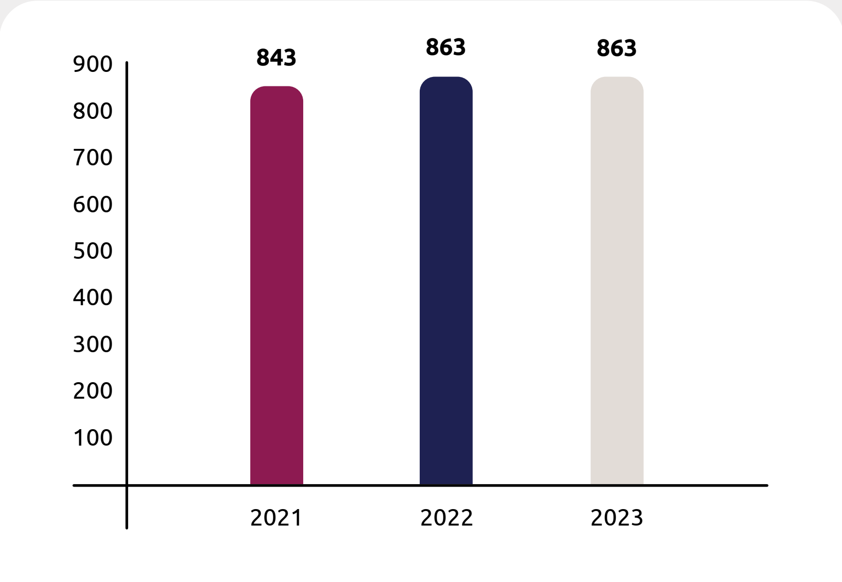
In line with the global and national efforts aimed at mitigating climate change induced by global warming, we have implemented a practice of monitoring our GHG Emissions and consistently undertake measures to minimise these emissions within our operations and beyond. We adhere to the GHG Protocol Corporate Accounting and Reporting Standard for calculating our GHG emissions.

Scope 1:
Direct Emissions Fuel Consumption by Vehicles Owned or Leased (tCO_2). The levels of emissions from 2022 to 2023 have remained constant.



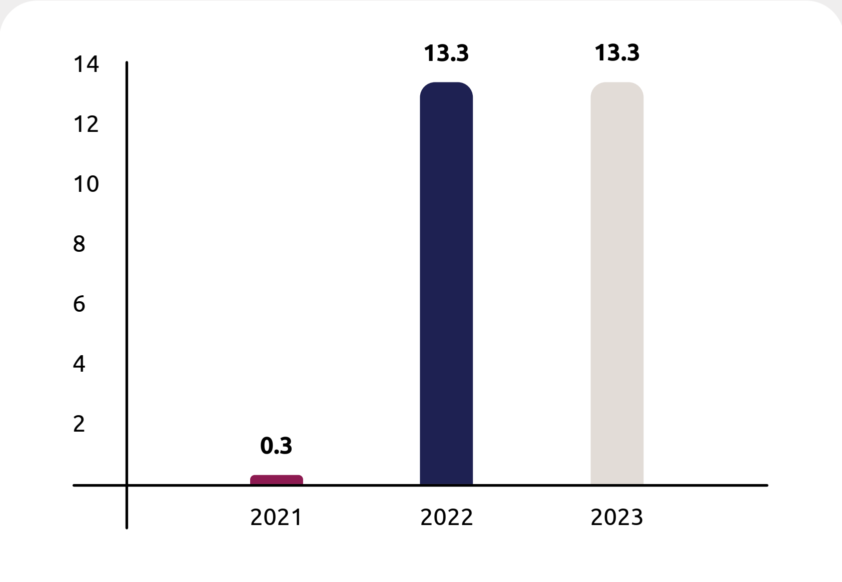
Our **GHG emissions** from direct operations under the **Scope 2** are **863 tCO_2**

Scope 2:
Indirect Emissions Electricity Consumption (tCO_2)



Our **GHG emissions** from direct operations under the **Scope 3** are **13.3 tCO_2**

Scope 3:
Other Indirect Emissions Air Travel (tCO_2)



We continue to examine the way we manage our properties as part of our environmental commitments, with the goal of decreasing our carbon footprint and minimising our negative impact on the globe's ecosystem. Electronic bank statements have been deployed across our client base and a printer rationalisation programme was executed to guarantee that all spent toner cartridges were recycled in an ecologically responsible manner. These initiatives have continued into 2023.

In recent years, we have joined other concerned organisations and individuals worldwide in turning off the lights to demonstrate our support for the global Earth Hour effort. Our employees actively manage continuous monitoring and improvement of our emission performance and other environmental innovations, crucial components of our environment management. Our commitment to the environment surpasses mere compliance, enabling us to thoroughly investigate all aspects of environment impact.

OUR 2024 GOALS

Continue reducing our paper consumption to move closer to achieving a paperless transformation.

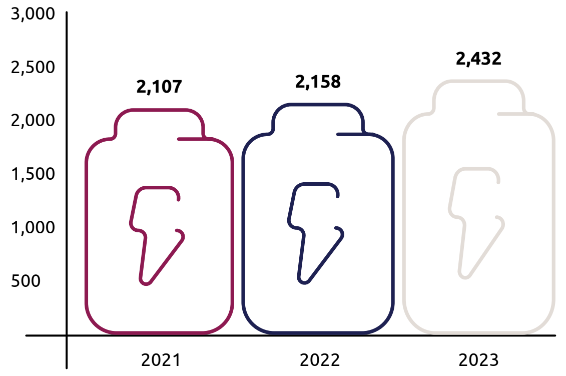
Monitor natural resource usage and establish corporate targets for reducing GHG emissions while optimising asset performance.

Develop a plan for managing organic waste through in-house composting awareness and systems aimed at diverting organic waste going into landfills, thereby reducing Carbon Dioxide (CO_2) and Methane (CH_4) emissions.

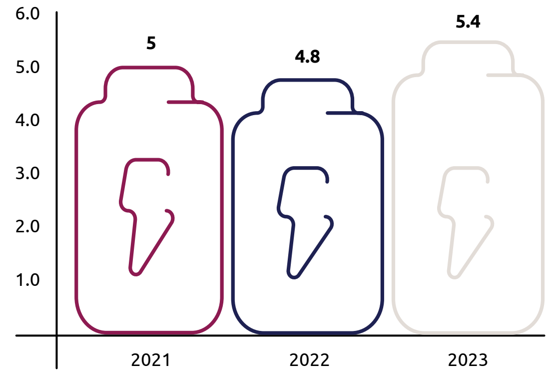
ENERGY, WATER AND PAPER CONSUMPTION

We aim to limit the environmental impact of our business operations, by aligning our corporate actions within the societal impacts we are accountable for. Over the coming years, we plan to minimise our ecological footprint through adoption of environment-friendly policies and practices. We strive to optimise our sustainability performance, focusing on aspects like energy and water consumption as well paper recycling within our operations.

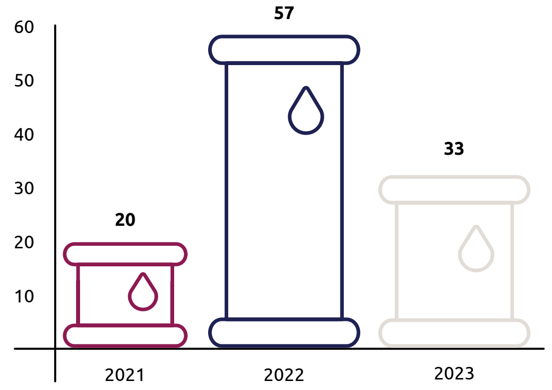
Electricity Consumption
2,432 MWh



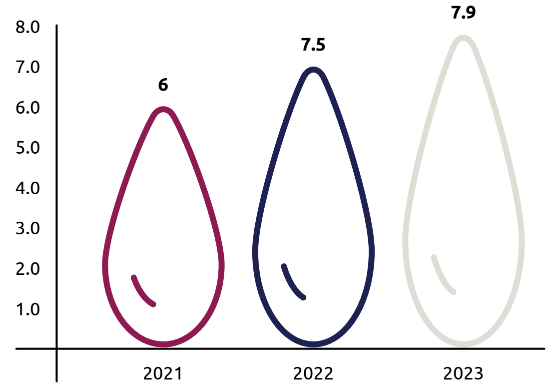
Electricity Consumption Per Employee
5.4 MWh



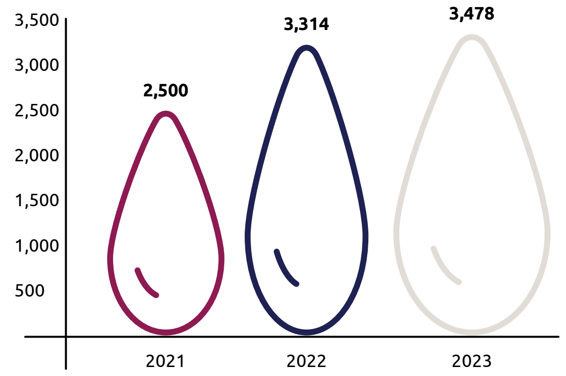
Fuel Consumption by Vehicles Owned or Leased by Bank
33 Kilolitre



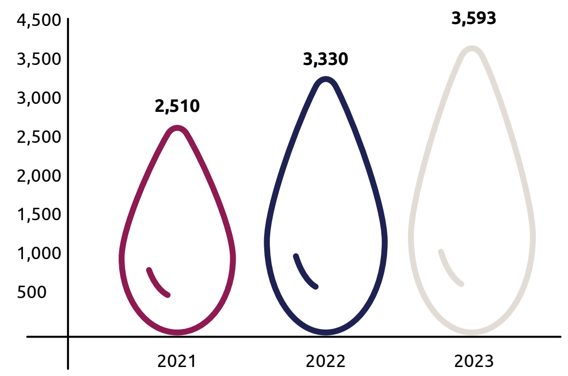
Water Consumption per Employee
7.9 Kilolitre



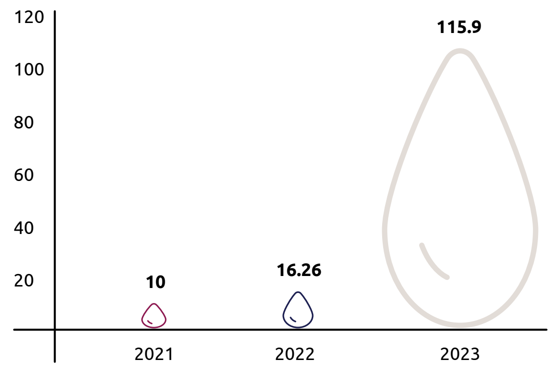
Utility Water Consumption
3,478 Kilolitre



Total Water Consumption
3,593 Kilolitre



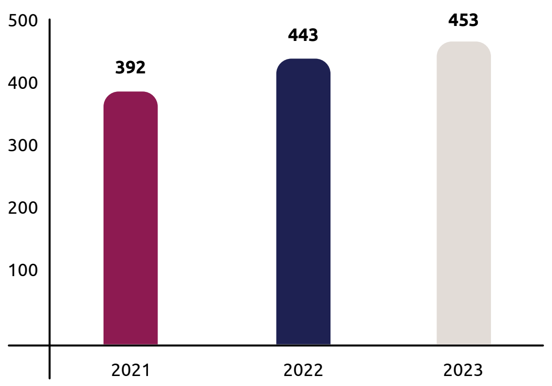
Drinking Water Consumption
115.9 Kilolitre



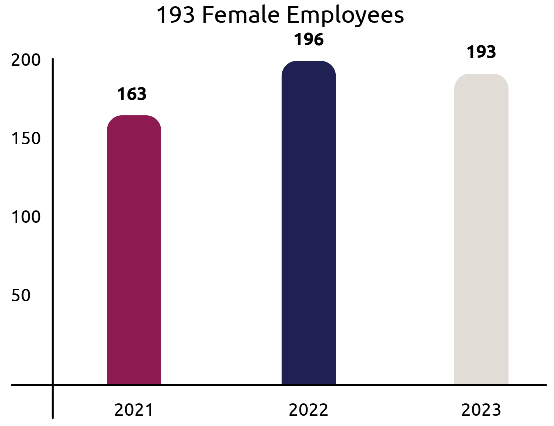
SOCIAL STEWARDSHIP

Our success is credited to our employees' hard work and dedication. They are our pillars of strength, and we have maintained an environment that fosters their overall growth. Our commitment to diversity in the workplace, generous compensation, recognition of employee achievements, advocacy for women's employment, and provision of an open learning environment – all contribute to enhancing our employees' abilities.

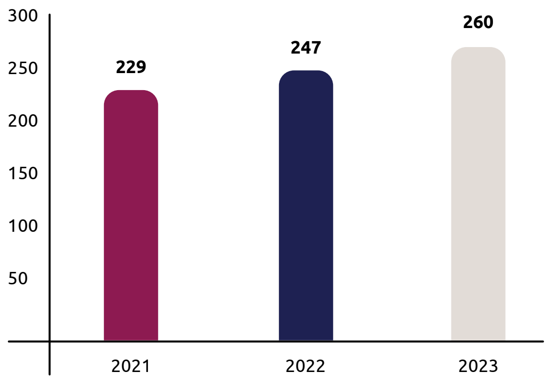
Number of Full-Time Employees
453 Employees



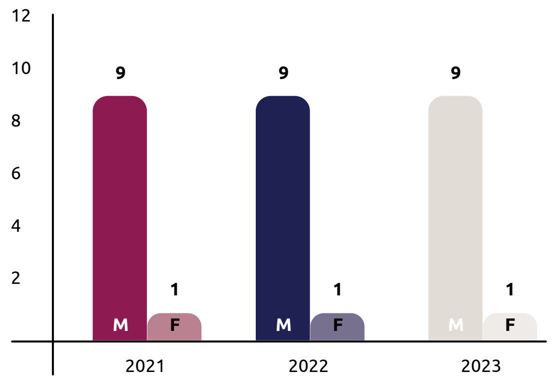
Number of Females Employed
193 Female Employees



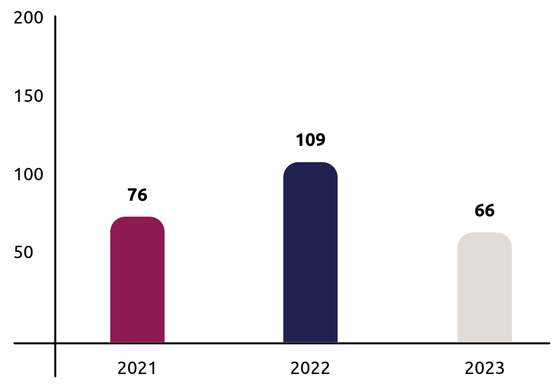
Number of Males Employed
260 Male Employees



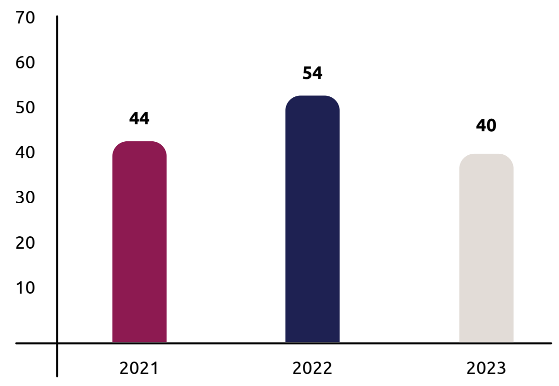
Top Management
Breakdown by Gender



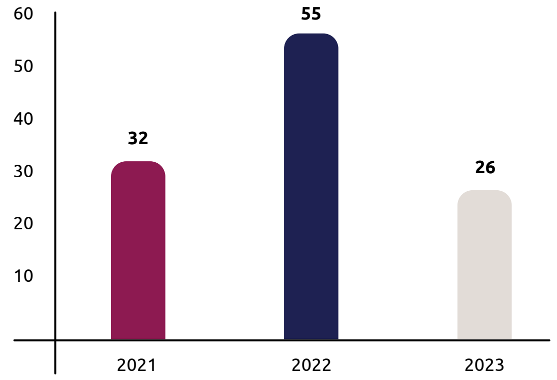
Newly Hired Employees Annually
66 Annual Hires



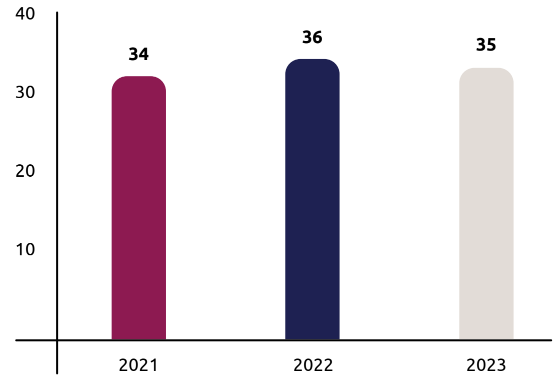
Newly Hired Male Employees Annually
40 Male Employees



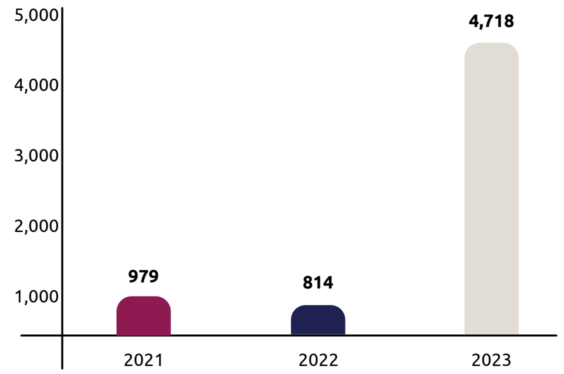
Newly Hired Females Employees Annually
26 Female Employees



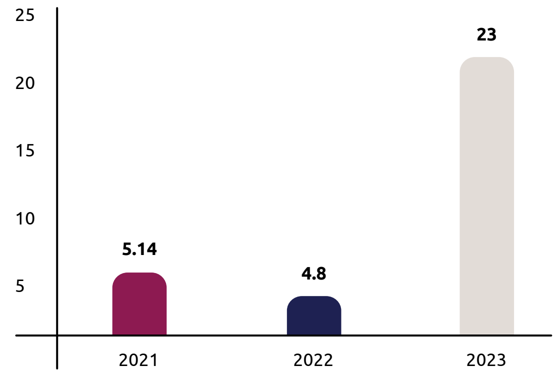
Number of Nationalities
35 Nationalities

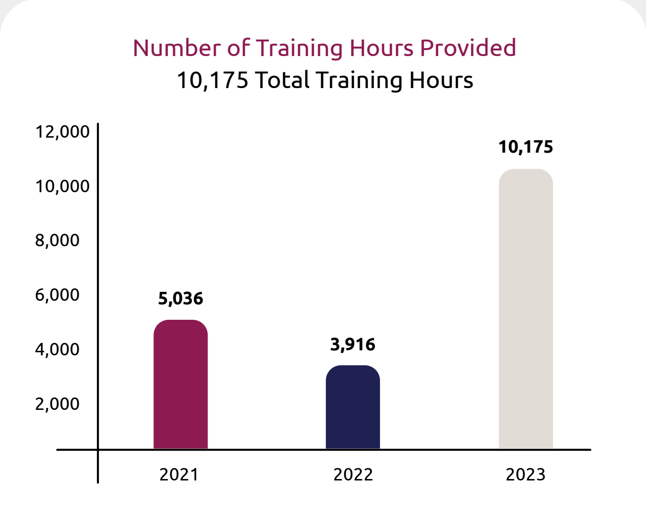


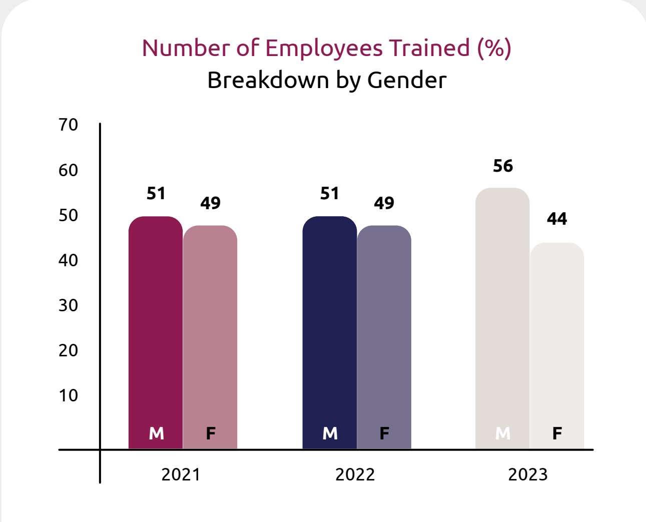
Number of Employees Trained
4,718 Employees Trained

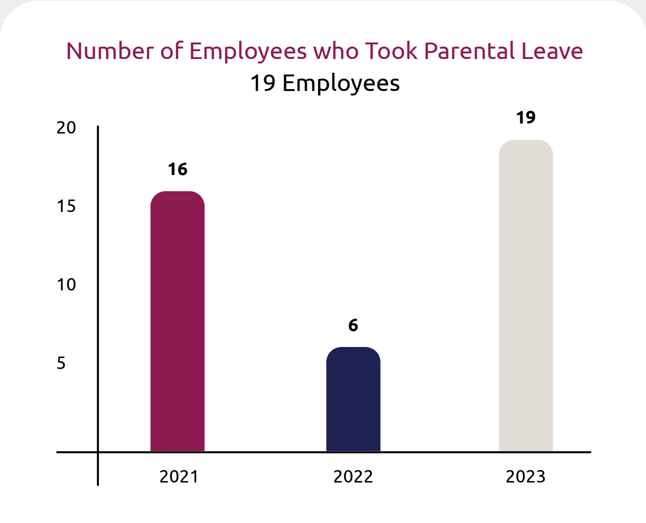


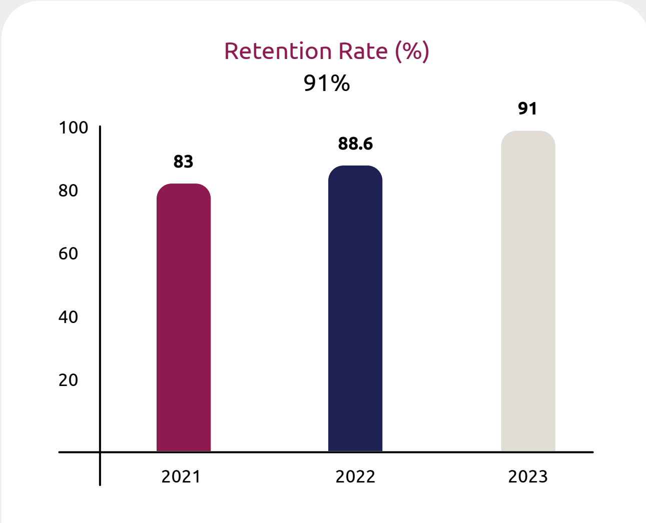
Average Training Hours per Employee
23 Training Hours











NUMBER OF EMPLOYEE WELLBEING PROGRAMMES CONDUCTED

There were no employee wellbeing programmes conducted in 2023.

OVERALL SATISFACTION RATE (%) EMPLOYEE SATISFACTION SURVEY

A new employee engagement tool has been implemented and is ongoing; the survey results will be shared in 2024.

We meticulously planned and refined our peripheral development and CSR programmes, fostering enduring trust and bringing smiles. We are always sensitive and caring to the needs, concerns, ambitions, and well-being of the local populations surrounding us.

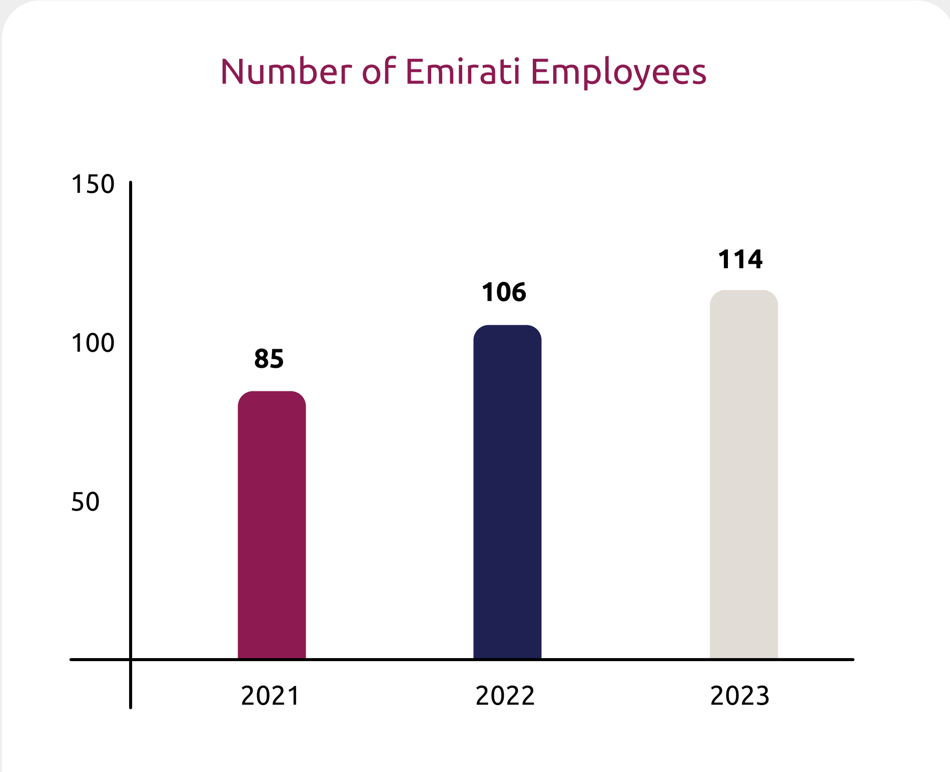
EMPLOYEE WELL-BEING

CBI believes in providing a vibrant, inspirational, action-oriented office environment, and is committed to providing an excellent workplace for our employees. Our diverse range of employee-related programmes and policies guarantee that our colleagues remain engaged at work, unlock their career potential, and continue to progress in parallel with the firm.

We are constantly working to improve our employee experience, by focusing on aspects such as onboarding, career advancement through training and development, performance-based incentives, and a variety of employee engagement activities throughout the year. Our aim is to ensure that working with us is a consistently rewarding and enriching experience.

Emiratisation remains a priority in our overall people management strategy, and we are pleased to report that we surpassed our targets set for 2023. Guided by the UAE's and Central Bank's mandates for employing nationals, we have increased the percentage of Emiratis in our employ to 25%.

In 2023, we welcomed 8 new Emirati employees, bringing our total to 114 compared to 106 in 2022.



CBI is also planning on incentivising employee pay based on sustainability parameters, in the upcoming years. The ratio of management pay scale as compared to the employees and the gender pay scale ratio aligns with industry standards in the UAE.

TRAINING & DEVELOPMENT

CBI recognises that talent management is both critical and necessary in today's corporate world. The cultivation of talent within this competitive environment shapes the organisation's future leaders, and it is our primary responsibility to nurture them.

Our training and development programmes are well-aligned with our long-term company goals, resulting in improved leadership skills and overall well-being. The Bank prioritises attracting and retaining high-performing personnel, and considerable resources are allocated to training and development programmes for employees at all levels.

CBI employees receive support to continuously enhance their skills and abilities. We are committed to fostering talent by providing on-the job technical training and supporting internship programmes for people of determination, alongside blood donation campaigns.

PROMOTION OF ETHICAL BEHAVIOUR

CBI ensures that our corporate culture supports ethical behaviour and integrity, which are critical to the banking sector.

In 2023, the Executive Management continued to emphasise the importance of everyone's responsibility to adhere to our code of ethics and protect CBI's interests by reporting unethical behaviour such as embezzlement, fraud, corruption, bribery, conflicts of interest, customer privacy violations, discrimination, harassment, law violations, and factual misrepresentation.

CUSTOMER FOCUS

Our ongoing customer education programme remains a priority.

This was established in response to the escalating threat of global cyber-crime and aligns with our new digital banking channels, thus ensuring greater awareness and understanding of the importance of data protection and security.

OUR 2024 GOALS

Specific initiatives planned for 2024 include tools to ensure efficient two-way dialogue with our employees, ensuring active listening, adapting to their needs, and strengthening employee engagement to enhance our business.

We also aim to build on our Emiratisation strategy to provide further support to UAE nationals entering and engaging in the banking sector, while also maintaining our focus on creating an inclusive and diverse talent base drawn from a variety of different backgrounds and industries to power our progress.

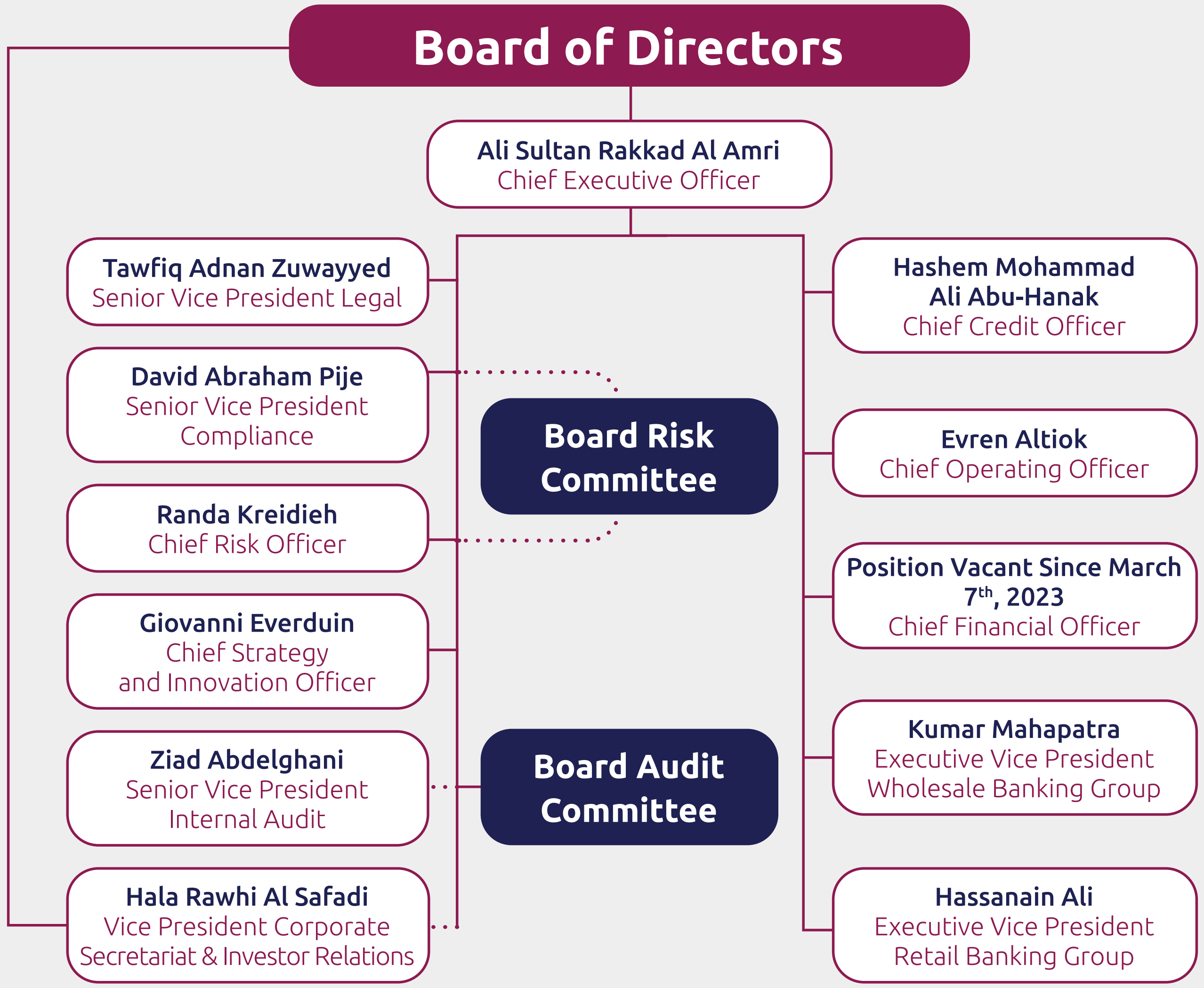
CBI aims to persist in its journey towards greater competitiveness in the marketplace. This involves enhancing the Bank's ability to attract key talent through a growing proposition of rewards, experiences and training aligned with the demands of the evolving banking landscape and our evolving business requirements.

ETHICAL GOVERNANCE

CBI considers sound corporate governance to be a key factor in bolstering its reputation, both locally and internationally, through a commitment to corporate culture that motivates directors, managers, and employees to comply with sound principles of conduct. Corporate governance involves a set of relationships between a company's management, its Board of Directors (Board), shareholders and other stakeholders.

Corporate governance also plays a pivotal role in defining the company's objectives, establishing the methods to achieve these objectives and monitoring performance. It servces as a framework to ensure the effective functioning of a financial institution and the broader banking sector. For CBI, ensuring safety and soundness are key to its financial stability and the way it conducts its business. Consequently, it serves as a cornerstone in fostering market confidence and upholding business integrity.

At CBI, adherence to corporate governance standards aligns naturally pursued with the relevant national laws, regulations, and codes. CBI is subject to the regulations issued by Central Bank of United Arab Emirates (CBUAE) and the Securities and Commodities Authority (SCA) as well as guidelines and international best practices issued by the Basel Committee on Banking Supervision (BCBS) and the Organization for Economic Cooperation and Development (OECD).



STRUCTURE OF BOARD OF DIRECTORS

In compliance with CBI's Articles of Association, nine (9) members of the Board are elected or nominated for three (3) years renewable for the same period. The Board has the widest authority to oversee the Management of CBI and the right to appoint several managers or authorised persons and to vest in them the right to sign, solely or jointly, on behalf of CBI. Members of the Board must have the necessary expertise and skills that qualify them to conduct their duties towards CBI's best interests. They are also committed to spending the required amount of time and attention towards the accomplishment of their duties for the duration of their tenure.

At the Annual General Meeting (AGM) held on February 28, 2023, nine esteemed individuals, including two female members, were officially appointed to serve on the CBI Board. These appointments received the approval from the Central Bank of the United Arab Emirates (CBUAE), affirming the collective expertise and capabilities of the newly appointed Board members.

Within this composition, a noteworthy distinction exists between the Board members, with five individuals designated as independent members and four as non-independent members, representing Qatar National Bank (QNB).

In addition, the inclusion of two female members in the Board reflects CBI's commitment to diversity and inclusion, acknowledging the valuable contributions of individuals from different backgrounds. This commitment not only aligns with principles of good governance but also underscores the recognition of the importance of diverse perspectives in shaping the Bank's strategy and operations.

The Board Committees are as follows:

- Board Audit Committee
- Board Risk Committee
- Board Credit Committee
- Board Nomination and Remuneration Committee
- Board Executive Committee

CBI has continued its efforts to enhance its existing Corporate Governance Framework and adopt the latest best practices in this regard. This in turn will maintain and enhance the stability and soundness of the organisation and the trust of the shareholders, potential investors and all the other stakeholders despite the challenging market conditions.

This year was another pivotal step towards preparing the next era of CBI governance and management pillars in terms of preparing the new set-up of the Board, the Board Committees together with related Executive Management supporting functionalities.

STAKEHOLDER CONSULTATION AND MATERIALITY ANALYSIS

CBI defines stakeholders as organisations and individuals who are influenced by and have the capacity to influence the Bank's operations. investors, employees, suppliers, consumers, government authorities and local communities. Our management adheres to the principle of aligning societal demands with commercial objectives.

In order to create a long-term relationship with our stakeholders, we focus on obtaining ideas, feedback, and concerns from them and reflecting these points in the way we operate. We make sure that the information received through stakeholder engagement actively shapes our approach. We try to link and connect with our stakeholders through a variety of formal and informal channels, supplemented by ongoing formal and social events.

CBI'S APPROACH TO STAKEHOLDER ENGAGEMENT

Our stakeholders are our partners in producing value for a better and more sustainable world. We engage with all our stakeholders to foster a shared understanding of our common objectives. The frequency of engagement deoends on the stakeholder group's impact on our business. We engage in constructive discussions with our stakeholders and explain our company's business goals and long-term vision, as well as the path we are taking and how the current market is impacting our operations. These initiatives bolster our stakeholders' confidence in our business. We regularly assess our progress and how stakeholder input translates into effective decision-making.

IDENTIFICATION OF KEY STAKEHOLDERS

Stakeholder groups are identified and prioritised based on their importance to our company and ability to impact CBI's choices. The extensive diversity associated with our business is also reflected in our list of stakeholders including customers, employees, regulators, government authorities, suppliers, local institutions, as well as environmental and social advocates, both within and outside our organisation.

MATERIALITY ANALYSIS

Understanding the social, environmental, and economic concerns of our stakeholders is critical to maintain our focus on the important issues, both presently and in the future. Our materiality matrix was formulated as we continued to develop and strengthen our internal and external stakeholder engagement approach. Economic, social, and environmental factors influencing our ability to generate long-term value are primary areas of focus. These factors are assessed by considering their impact on the organisation's strategy, governance, performance and/or future prospects. To update our materiality evaluation, we have established four key actions.

1. **Questionnaire Distribution**
   We conducted a comprehensive sector analysis, reviewed reporting guidelines, evaluated peer performances, and assessed our ability to contribute to the UAE's Sustainable Development Goals. Our questions were based on GRI standards and also addressed a wide range of topics such as financial, social and environmental concerns.

2. **Defining Topics**
   Each topic is accompanied by a clear description and a scoring method.

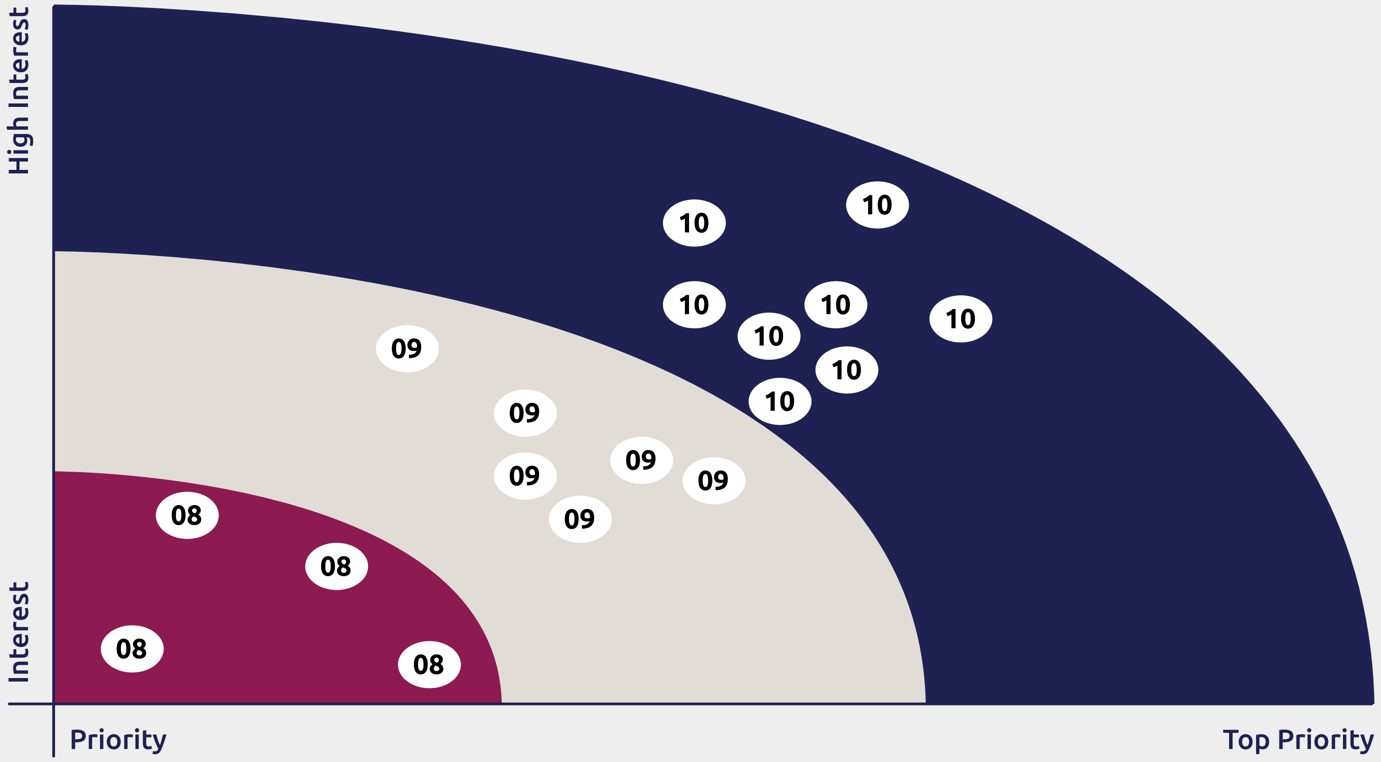
3. **Prioritisation of Issues**
   We conducted stakeholder consultations with various stakeholder groups to assess their perspectives on the relevance and priority of issues in their interactions with CBI.

4. **Alignment of National & International Plans and Commitments**
   The findings of the process were validated to verify that we understand what matters most to our stakeholders and how it matches with our prioritisation of material concerns in order to generate value in the short, medium and long term in accordance with our corporate, national, and global vision.

MATERIALITY MATRIX

The positioning of issues on the materiality matrix clearly indicates a significant level of agreement between the opinions of internal and external stakeholders, which were obtained separately.

The materiality matrix shows how important a number of themes connected to our business affect our stakeholders, such as e-banking and digital services, customer experience and satisfaction, as well as data privacy and cybersecurity.



10 Working Culture
10 Customer Experience
10 Privacy & Security
10 Clean and Fair Terms and Conditions
10 Economic Growth of the Organisation, People and Community
10 Training and Development
10 Healthy and Safe Working Environment
10 Women Empowerment
09 E-banking and Digital Services
09 Youth Empowerment
09 Equal Opportunities For All
09 Waste Management
09 Paper Recycling
09 Environmental Stewardship
08 Monitoring Our Carbon Footprint
08 Talent, Attraction and Develeopment
08 Engagement Strategy and Knowledge Sharing
08 Corporate Volunteering

ENVIRONMENTAL DISCLOSURES

Environmental Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Page Numbers/URLs or Direct Answers
E1- GHG Emissions	E1.1) Total amount in CO_2 equivalents, for Scope 1 E1.2) Total amount, in CO_2 equivalents, for Scope 2 (if applicable) E1.3) Total amount, in CO_2 equivalents, for Scope 3 (if applicable)	GRI 305: Emissions 2016	SDG 13: Climate Action	Pages 67-68 GHG Emissions
E2- Emissions Intensity	E2.1) Total GHG emissions per output scaling factor E2.2) Total non-GHG emissions per output scaling factor	GRI 305: Emissions 2016	SDG 13: Climate Action	Data currently unavailable; we are working to provide requisite details in the next report.
E3- Energy Usage	E3.1) Total GHG emissions per output scaling factor E3.2) Total non-GHG emissions per output scaling factor	SGRI 302: Energy 2016	SDG 12: Responsible Consumption	Page 70 Electricity and Fuel Consumption
E4- Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016	SDG 12: Responsible Consumption	Page 70
E5- Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016	SDG 12: Responsible Consumption	CBI does not have direct control of our energy usage mix. Primary energy is sourced through the national grid.
E6- Water Usage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	GRI 303: Water and Effluents 2018 and Sanitation	SDG 6: Clean Water	Pages 70-71
E7- Environmental Operations	E7.1) Does your company follow a formal Environmental Policy? Yes/ No E7.2) Does your company follow specific waste, water, energy, and/or recycling polices? Yes/No E7.3) Does your company use a recognised energy management system?	GRI 103: Management Approach 2016		No Environmental Policy in place. No Recycling Policies in place. CBI is in consideration of developing the sustainability associated policies in the future.

Environmental Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Page Numbers/URLs or Direct Answers
E8- Environmental Oversight	Does your Management Team oversee and/or manage sustainability issues? Yes/No	GRI 102: General Disclosures 2016	SDG 13: Climate Action	Yes, our management oversees our initiatives towards sustainability.
E9- Environmental Oversight	Does your Board oversee and/ or manage sustainability issues? Yes/ No	GRI 102: General Disclosures 2016	SDG 13: Climate Action	Yes
E10- Climate Risk Mitigation	Total amount invested, annually, in climate-related infrastructure, resilience, and product development		SDG 13: Climate Action	No amount invested

SOCIAL DISCLOSURES

Social Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Notes
S1- CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation S1.2) Does your company report this metric in regulatory filings? Yes/ No	GRI 102: General Disclosures 2016	SDG 10: Reduced Inequalities	Data currently unavailable; we are working to provide requisite details in the next report.
S2- Gender Pay Ratio	Ratio: Median male compensation to median female compensation	GRI 405: Diversity and Equal Opportunity 2016	SDG 5: Gender Equality	Balanced and in line with the industry standards.
S3- Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees S3.2) Percentage: Year-over-year change for part-time employees S3.3) Percentage: Year-over-year change for contractors/ consultants	GRI 401: Employment 2016	Consumption Disclaimer: In 2021 the improvement in numbers was mainly due to the “working from home” scheme.	Page 74 Number of full time employees for year 2021, 2022 and 2023. No Part Time Employees. Data currently unavailable; we are working to provide requisite details in the next report.
S4- Gender Diversity	S4.1) Diversity of governance bodies and employees S4.2) Ratio of basic salary and remuneration of women to men	GRI 405: Diversity and Equal Opportunity 2016	SDG 5: Gender Equality	Pages 72-73
S5- Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees S5.2) Percentage: Total enterprise headcount held by contractors and/ or consultants	GRI 102: General Disclosures 2016	SDG 12: Responsible Consumption	No Part Time Employees Data currently unavailable; we are working to provide requisite details in the next report.
S6- Non Discrimination	Does your company follow Non-discrimination policy? Yes/No	GRI 103: Management Approach 2016*	SDG 10: Reduced Inequalities	No. CBI is developing a Non-discrimination Policy.
S7- Injury Rate	Does your company follow an occupational health and/ or global health and safety policy? Yes/No	GRI 103: Management Approach 2016*	SDG 3: Good Health and Well-Being	Data currently unavailable; we are working to provide requisite details in the next report.

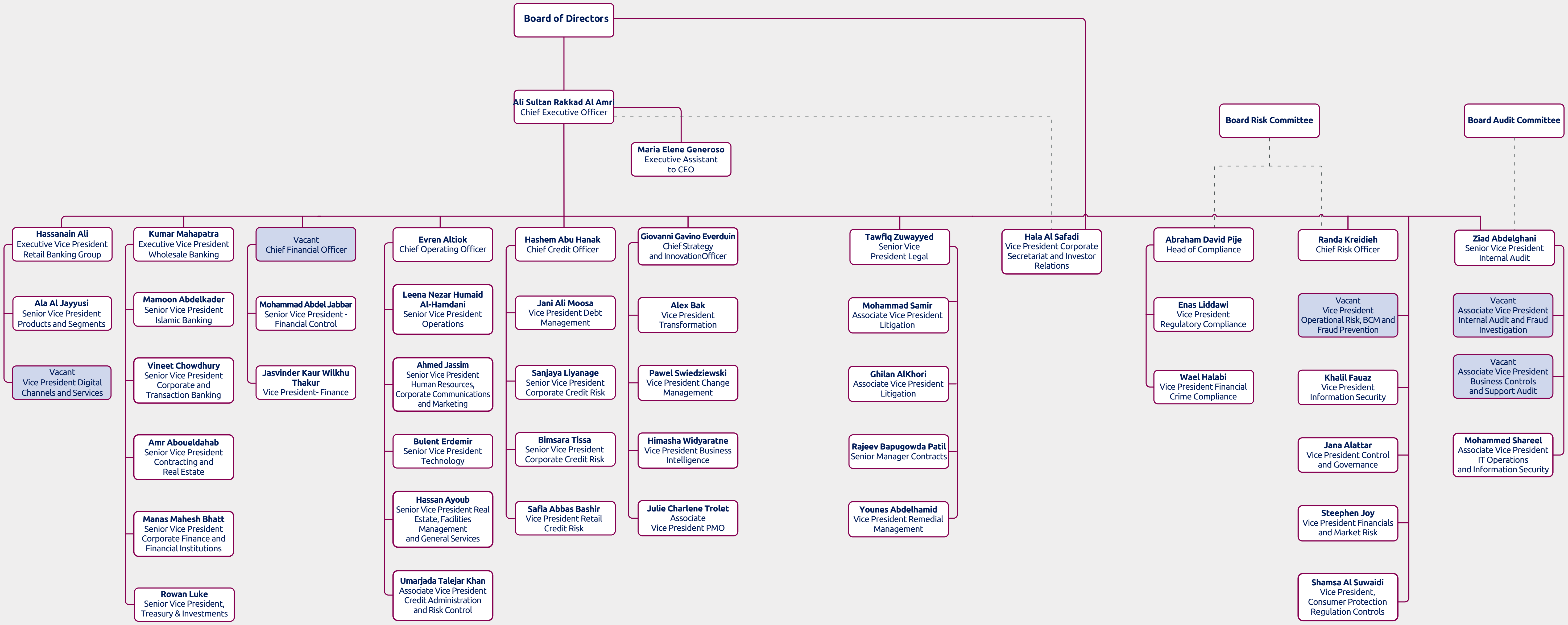
Social Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Notes
S8- Global Health and Safety	Does your company follow an occupational health and/ or global health and safety policy? Yes/No	GRI 103: Management Approach 2016*	SDG 3: Good Health and Well-Being	No. CBI adhere to local health and safety policy requirements. CBI ensures that all employees have health insurance.
S9- Child and Forced Labour Oversight	S9.1) Does your company follow a child and/or forced labour policy? Yes/No S9.2) If yes, does your child and/or forced labour policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016	SDG 8: Decent Work and Economic Growth	No. CBI will be developing the policy in the coming year. Data currently unavailable; we are working to provide requisite details in the next report.
S10- Human Rights	S10.1) Does your company follow a human rights policy? Yes/No S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No	GRI 103: Management Approach 2016	SDG 10: Reduced Inequalities	No. Data currently unavailable; we are working to provide requisite details in the next report.
S11- Nationalisation	Percentage of national employees		SDG 8: Decent Work and Economic Growth	Page 75 Number of Emirati Employees
S12- Community Investment	Amount invested in the community, as a percentage of company revenues.	GRI 413: Local Communities 2016	SDG 8: Decent Work and Economic Growth	No amount invested. Potential work areas are being evaluated to be considered in future.

GOVERNANCE DISCLOSURES

Governance Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Notes
G1- Board Diversity	G1.1) Percentage: Total board seats occupied by men and women G1.2) Percentage: Committee chairs occupied by men and women	GRI 102: General Disclosures 2016	SDG 5: Gender Equality	10:1 Data currently unavailable; we are working to provide requisite details in the next report. Data currently unavailable; we are working to provide requisite details in the next report.
G2- Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No G2.2) Percentage: Total board seats occupied by independent board members	GRI 405: Diversity and Equal Opportunity 2016	SDG 5: Gender Equality	Data currently unavailable; we are working to provide requisite details in the next report. Data currently unavailable; we are working to provide requisite details in the next report.
G3- Incentivised Pay	Are executives formally incentivised to perform on sustainability?			Data currently unavailable; we are working to provide requisite details in the next report.
G4- Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?		SDG 12: Responsible Consumption	Yes. Data currently unavailable; we are working to provide requisite details in the next report.
G5- Ethics and Prevention of Corruption	G5.1) Does your company follow an Ethics and/or Prevention of Corruption policy? Yes/No G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?		SDG 16: Peace, Justice and Strong Institutions	Yes. Data currently unavailable; we are working to provide requisite details in the next report.

Governance Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Notes
G6- Data Privacy	G6.1) Does your company follow a Data Privacy policy? Yes/No			Yes.
	G6.2) Has your company taken steps to comply with GDPR rules? Yes/No			Data currently unavailable; we are working to provide requisite details in the next report.
G7- Sustainability Reporting	Does your company publish a sustainability report? Yes/No			This is CBI's fourth sustainability report.
G9- Disclosure Practices	G9.1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/No			This is the fourth report. CBI will be considering in future for necessary disclosures.
	G9.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No			No, CBI will be considering in next report for necessary disclosures.
	G9.3) Does your company set targets and report progress of the UN SDGs? Yes/No			No, CBI will be considering in next report for necessary disclosures.
G10- External Assurance	Are your sustainability disclosures assured or verified by a third-party audit firm? Yes/No	GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards		No, we chose to have internal assurance this year.

ORGANISATIONAL CHART



FINANCIAL STATEMENTS AND NOTES

Commercial Bank International P.S.C.

REPORTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

These audited consolidated financial statements are subject to approval of the Central Bank of the UAE and adoption by shareholders at the annual general meeting.

Table of contents

The Board of Directors has pleasure in submitting their report and the audited Consolidated financial statements of Commercial Bank International P.S.C (the "Bank") and its subsidiaries (together the "Group") for the year ended 31 December 2023.

Incorporation and registered offices

Commercial Bank International P.S.C. (the "Bank") was incorporated under an Emiri Decree Number 5/91 on 28 April 1991 by His Highness Ruler of Ras Al-Khaimah. The address of the registered office is P.O. Box 793, Ras Al-Khaimah, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management and these activities are carried out through its branches in the United Arab Emirates.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2023 are set out in the accompanying consolidated financial statements.

The Group has earned net interest income and income from Islamic financing and investing activities amounting AED 355,243 thousands during the year ended 31 December 2023 (2022: AED 397,804 thousands) and had recorded a net profit of AED 170,641 thousands for the year ended 31 December 2023 (2022: AED 150,470 thousands).

Directors

The following were the Directors of the Bank at the end of year ended 31 December 2023:

Mr. Saif Ali Al Shehhi	Chairman
Mr. Ali Rashid Al-Mohannadi	Vice Chairman
Mr. Mohamed Ali Musabbeh Al Nuaimi	
Mr. Mubarak Ahmad Bin Fahad Almheiri	
Ms. Maitha Saeed Al Falasi	
Dr. Ghaith Hammel Al Ghaith Al Qubaisi	
Mr. Salaheddin Almabruk AlMadani	
Ms. Fatma Ibrahim Al Baker	
Mr. Abdulaziz Khalid Jokhdar	

Auditors

The consolidated financial statements for the year ended 31 December 2023 have been audited by Grant Thornton Audit and Accounting Limited and, being eligible, offer themselves for reappointment.

By order of the Board of Directors

Saif Al Shehhi (Jan 15, 2024 20:17 GMT+4)

Saif Ali Al Shehhi
Chairman

15 January 2024

Grant Thornton

Grant Thornton Audit and Accounting Limited – Abu Dhabi

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Al Kamala Tower
Zayed the 1st Street
Khalidiya
Abu Dhabi, UAE

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Independent Auditor's Report
To the Shareholders of Commercial Bank International PSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Bank International PSC (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Measurement of expected credit losses

The assessment of the Group's determination of impairment allowances for financial assets at amortised cost requires management to make judgments over the staging of financial assets and measurement of the Expected Credit Losses ("ECL"). The audit was focused on this matter due to the materiality of the financial assets at amortised cost and the complexity of judgements, assumptions and estimates used in the ECL models.

The financial assets at amortized cost for retail and non-retail are assessed individually for the significant increase in credit risk ("SICR") and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgment may also be involved in manual staging movements in accordance with the Group's policies and the requirements of IFRS 9 – Financial Instruments.

The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that the models and key variables probability of default (PD), loss given default (LGD), exposure at default (EAD) and macroeconomic adjustments) are valid throughout the year and are subject to a validation process by an independent reviewer.

Independent Auditor's Report to the Shareholders of Commercial Bank International PSC (continued)

Key Audit Matters (continued)

1. Measurement of expected credit losses (continued)

For the defaulted exposures, management applies judgements to estimate the expected future cash flows related to individual exposures including the value of collateral.

Measurement of ECL is considered a key audit matter as the Group applies significant judgments and makes a number of assumptions in developing ECL models.

How our audit addressed the key audit matter

We performed the following audit procedures on the ECL:

- Obtained an understanding of the credit risk management process and the estimation process of determining impairment allowances for loans and advances and tested the operating effectiveness of relevant controls within these processes.
- For a sample of exposures, performed a detailed credit review and challenged the appropriateness of the Group's application of the staging criteria including adequacy of provisioning.
- Tested the completeness and accuracy of the data used in the calculation of ECL.
- We involved our IFRS 9 experts to assess:
  - the conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9 – Financial Instruments.
  - ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LDG), and exposure at default (EAD) including reasonableness of the assumptions.
  - the appropriateness of the macro-economic variables, multiple economic scenarios chosen and scenario weightings.
- Tested the calculation methodology and traced a sample back to source data for a sample of wholesale and retail exposures.
- Evaluated post model adjustments and management overlays in order to assess the reasonableness of these judgements
- The Group performed an external validation of key variables i.e.. probability of default and loss given default, including macroeconomic, used in calculating the ECL during the year. We considered the process of this external validation of the models and its impact on the results of the impairment estimate.
- For the Stage 3 exposures and for a sample of wholesale exposures we also assessed whether relevant impairment events were identified in a timely manner and the appropriateness of the provisioning assumptions such as estimated future cash flows, collateral valuations and estimates of recovery.
- Assessed the disclosure in the consolidated financial statements relating to ECL against the requirements of IFRSs.

2. IT systems and controls over financial reporting

We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and reliance on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.

How our audit addressed the key audit matter

Our audit approach relied on automated controls and therefore the following procedures were performed to test access and control over IT systems:

- Obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications.
- We involved our IT experts to:
  - test IT general controls (ITGC) relevant to automated controls and computer-generated information covering access, security, program changes, data centre and network operations.
  - perform testing on the key automated controls on significant IT systems relevant to business processes.
- Examine computer generated information used in financial reports from relevant applications and key controls over their report logics.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the annual report of the Group. We obtained the Board of Directors' report that forms part of the annual report prior to the date of our auditor's report, and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on 18 January 2023.

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report to the Shareholders of Commercial Bank International PSC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report to the Shareholders of Commercial Bank International PSC (continued)

Report on the Audit of the Consolidated Financial Statements

As required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2023:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Bank has maintained proper books of account;
- The financial information included in the Board of Directors' report is consistent with the books of account and records of the Bank;
- Note 12 and 13 to the consolidated financial statements disclose the Bank purchases or investments in shares during the year ended 31 December 2023;
- Note 42 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- Note 31 to the consolidated financial statements discloses social contributions made during the year ended 31 December 2023.

Further, as required by UAE Federal Law No. (14) of 2018, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

GRANT THORNTON

Grant Thornton

Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 15 January 2024

Commercial Bank International P.S.C.
Consolidated statement of financial position

as at

	Note	31 Dec 2023 AED '000	31 Dec 2022 AED '000
Assets			
Cash and balances with Central Bank	6	**1,384,318**	2,632,565
Derivative financial instruments	40	**2,633**	6,604
Deposits and balances due from banks	7	**707,008**	458,448
Loans and advances to customers	8	**11,580,825**	12,410,433
Islamic financing and investing assets	9	**1,027,614**	513,699
Receivables and other assets	10	**674,644**	2,131,839
Property inventory	11	**458,670**	500,660
Investment securities measured at fair value	12	**300,321**	264,009
Investment securities measured at amortised cost	13	**2,677,001**	2,082,977
Investment properties	14	**39,097**	26,022
Intangible assets	15	**27,170**	28,601
Property and equipment	16	**94,462**	110,682
Total assets		**18,973,763**	21,166,539
Liabilities and equity			
Liabilities			
Balance due to the Central Bank	6	**1,783**	1,748
Derivative financial instruments	40	**8,068**	6,084
Deposits and balances due to banks	17	**2,747,835**	4,014,531
Customers' deposits	18	**11,253,857**	11,360,543
Islamic customers' deposits	19	**1,353,874**	839,282
Payables and other liabilities	20	**735,407**	2,245,718
Total liabilities		**16,100,824**	18,467,906
Equity			
Share capital	21	**1,737,383**	1,737,383
Tier 1 Capital Securities	22	**459,125**	459,125
Reserves	23	**525,291**	551,118
Retained earnings/(accumulated losses)		**31,083**	(152,330)
Equity attributable to owners of the Bank		**2,752,882**	2,595,296
Non-controlling interests	24	**120,057**	103,337
Total equity		**2,872,939**	2,698,633
Total liabilities and equity		**18,973,763**	21,166,539

To the best of our knowledge, and in accordance with IFRS, the consolidated financial statements present fairly in all material respects the consolidated financial position, financial performance and cash flows of the Group.

Ali Sultan Rakkad Al Amri
Chief Executive Officer

Saif Ali Al Shehhi
Chairman

for the year ended 31 December

	Note	2023 AED '000	2022 AED '000
Interest income	25	**983,791**	654,247
Income from Islamic financing and investing assets	26	**83,369**	46,105
Total interest income and income from Islamic financing and investing assets		**1,067,160**	700,352
Interest expense	27	**(599,863)**	(262,405)
Distribution to Islamic depositors	28	**(112,054)**	(40,143)
Net interest income and income from Islamic financing and investing assets		**355,243**	397,804
Fee and commission income	29	**131,054**	116,123
Fee and commission expense	29	**(18,514)**	(14,860)
Net fee and commission income		**112,540**	101,263
Other operating income, net	30	**75,764**	103,742
Net operating income		**543,547**	602,809
General and administrative expenses	31	**(349,092)**	(327,743)
Net impairment loss on financial assets	32	**(53,661)**	(126,688)
Net reversal of impairment on non-financial assets	33	**29,847**	2,092
Profit for the year		**170,641**	150,470
Profit for the year attributable to:			
Owners of the Bank		**153,921**	117,237
Non-controlling interests	24	**16,720**	33,233
		170,641	150,470
Earnings per share:			
Basic and diluted earnings per share (AED)	35	**0.089**	0.067

for the year ended 31 December

	Note	2023 AED '000	2022 AED '000
Profit for the year		**170,641**	150,470
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income		**884**	(69,843)
Remeasurement of net defined benefit liability		**2,781**	3,113
Other comprehensive income/(loss) for the year		**3,665**	(66,730)
Total comprehensive income for the year		**174,306**	83,740
Total comprehensive income for the year attributable to:			
Owners of the Bank		**157,586**	50,507
Non-controlling interests	24	**16,720**	33,233
		174,306	83,740

The accompanying notes and appendix form an integral part of these consolidated financial statements.

for the year ended 31 December

	Share capital AED '000	Tier 1 capital securities AED '000	Reserves AED '000	Retained earnings / (accumulated losses) AED '000	Equity attributable to owners of the Bank AED '000	Non-controlling interests AED '000	Total AED '000
2023							
Balance as at 31 December 2022	1,737,383	459,125	551,118	(152,330)	2,595,296	103,337	2,698,633
Profit for the year	-	-	-	153,921	153,921	16,720	170,641
Other comprehensive income for the year	-	-	884	2,781	3,665	-	3,665
Total comprehensive income for the year	-	-	884	156,702	157,586	16,720	174,306
Transfer to statutory reserve	-	-	17,064	(17,064)	-	-	-
Transfer from reserve to retained earnings	-	-	(31,471)	31,471	-	-	-
Transfer to CBUAE specific provision reserve	-	-	(12,304)	12,304	-	-	-
Balance as at 31 December 2023	**1,737,383**	**459,125**	**525,291**	**31,083**	**2,752,882**	**120,057**	**2,872,939**

The accompanying notes and appendix form an integral part of these consolidated financial statements.

	Share capital AED ’000	Tier 1 capital securities AED ’000	Reserves AED ’000	Accumulated losses AED ’000	Equity attributable to owners of the Bank AED ’000	Non-controlling interests AED ’000	Total AED ’000
2022							
Balance as at 31 December 2021	1,737,383	459,125	497,478	(149,197)	2,544,789	70,104	2,614,893
Profit for the year	-	-	-	117,237	117,237	33,233	150,470
Other comprehensive loss for the year	-	-	(69,843)	3,113	(66,730)	-	(66,730)
Total comprehensive income for the year	-	-	(69,843)	120,350	50,507	33,233	83,740
Transfer to statutory reserve	-	-	15,047	(15,047)	-	-	-
Transfer to general reserve	-	-	15,047	(15,047)	-	-	-
Transfer from reserve to retained earnings	-	-	82,677	(82,677)	-	-	-
Transfer to CBUAE specific provision reserve	-	-	10,712	(10,712)	-	-	-
Balance as at 31 December 2022	1,737,383	459,125	551,118	(152,330)	2,595,296	103,337	2,698,633

for the year ended 31 December

	2023 AED '000	2022 AED '000
Cash flows from operating activities		
Profit for the year	170,641	150,470
Adjustments for:		
Depreciation of property and equipment (note 31)	20,888	19,923
Depreciation of investment property (note 31)	1,187	1,279
Amortisation of intangible assets (note 31)	10,201	13,669
Net impairment loss on financial assets (note 32)	53,661	126,688
Net impairment reversal on non-financial assets (note 33)	(29,847)	(2,092)
Gain on disposal of property and equipment	-	(59)
Amortisation of financial assets measured at amortised cost	5,061	4,551
Gain on financial assets measured at FVTPL	(35,424)	(70,406)
Dividend income	(625)	(804)
Provision for end of service benefits (note 20.1.2)	9,454	14,718
Gain on disposal of Investment properties	(3,159)	(1,854)
	202,038	256,083
Changes in operating assets and liabilities:		
(Increase)/decrease in balances with the Central Bank of the UAE	(106,070)	135,157
Increase in deposits and balances due from banks with original maturity of 90 days or more	(264,134)	(403,986)
Increase in financial assets measured at amortised cost with original maturity of 90 days or more	(60,203)	(235,509)
Decrease/(increase) in loans and advances to customers	800,647	(1,309,029)
(Increase) /decrease in Islamic financing and investing assets	(531,003)	85,922
Decrease/(increase) in property inventory	18,446	(4,872)
Decrease in receivables and other assets	1,503,416	1,150,832
Increase/(decrease) in due to the Central Bank of the UAE	35	(14,434)
(Decrease)/increase in deposits and balances due to banks	(1,266,697)	1,751,877
(Decrease)/increase in customers' deposits	(106,686)	16,406
Increase/(decrease) in Islamic customers' deposits	514,592	(390,751)
Decrease in payables and other liabilities	(1,515,691)	(1,059,740)
Cash used in operating activities	(811,310)	(22,044)
End of service benefits paid (note 20.1.2)	(2,637)	(4,134)
Net cash used in operating activities	(813,947)	(26,178)
Cash flows from investing activities:		
Purchase of property and equipment	(20,752)	(19,575)
Proceeds from sale of property and equipment	-	942
Purchase of intangible assets	(892)	(2,093)
Proceeds from sale of investment properties	3,673	6,058
Purchase of financial assets measured at amortised cost	(593,103)	(519,060)
Proceeds from redemption of financial assets measured at amortised cost	-	44,053
Purchase of financial assets measured at FVTOCI	--	(6,500)
Net settlement of FVTPL assets	5,955	(1,581)
Dividend received	625	804
Net cash used in investing activities	(604,494)	(496,952)

The accompanying notes and appendix form an integral part of these consolidated financial statements.

for the year ended 31 December

	Note	2023 AED '000	2022 AED '000
Net decrease in cash and cash equivalents		(1,418,441)	(523,130)
Cash and cash equivalents at the beginning of the year		2,524,394	3,047,524
Cash and cash equivalents at the end of the year	36	1,105,953	2,524,394
Non-cash transactions:			
Sale of property inventory and investment property		**46,820**	**76,126**

The accompanying notes and appendix form an integral part of these consolidated financial statements.

1. Status and activities

Commercial Bank International P.S.C. (the "Bank") is a public shareholding company with limited liability incorporated under an Emiri Decree Number 5/91 on 28 April 1991 by His Highness Ruler of Ras Al-Khaimah. The registered office of the Bank is at P.O. Box 793, Ras Al-Khaimah. The Bank is listed on the Abu Dhabi Exchange (Ticker "CBI"). The Bank carries on commercial banking activities through its branches in the United Arab Emirates ("the UAE"). These consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries as disclosed below (collectively referred to as the "Group").

Details of the Group's subsidiaries and associates at the end of the reporting period are as follows:

Name	Principal Activity	Principal place of business	Place of incorporation	% of ownership 2023	2022
CBI Financial Services Limited	SPV	Dubai - the UAE	Cayman Islands	100.0	100.0
CBI Tier 1 Private Ltd	SPV	Dubai - the UAE	Cayman Islands	100.0	100.0
Takamul Real Estate L.L.C.	Real estate	Dubai - the UAE	Dubai - the UAE	100.0	100.0
Al Khaleejiah Property Investments LLC	Real estate	Sharjah - the UAE	Sharjah - the UAE	52.8	52.8
Al Caribi Development Limited	Real estate	Antigua and Barbuda	BVI	100.0	100.0
International Financial Brokerage L.L.C.*	Brokerage	Dubai - the UAE	Dubai - the UAE	99.4	99.4
Arzaq Holdings (Private J.S.C.) **	Real estate	Sharjah - the UAE	Sharjah - the UAE	48.0	48.0

* *Under liquidation*

**** This associate is accounted for using the equity method in these consolidated financial statements and the net assets of ARZAQ are in deficit position, consequently investment in associate is carried at Nil value.

2. Application of new and revised IFRSs

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements.

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023
- Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017
- Amendment to IFRS 17 Insurance Contracts Initial Application of IFRS 17 and IFRS 9 - Comparative Information
- Amendments to IFRS 4 *Insurance Contracts* Extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2
- Amendments to IAS 12 *Income Taxes* relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

2. Application of new and revised IFRSs (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted.

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 16 Leases The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements relating to Classification of Liabilities as Current or Non-Current The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also defer the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024.	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements relating to Non-current Liabilities with Covenants The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Corporate Income Tax

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

The UAE Cabinet of Ministry ("Cabinet") Decision No.116 of 2022 specifies the Threshold of the income over which the 9% tax rate would apply and accordingly, the law is now considered to be substantively enacted from the perspective of IAS 12 – Income taxes. Current taxes will only be payable for financial years beginning on or after 1 June 2023 so the Group will be subject to current tax for the first time during the year ending 31 December 2024.

Based on the assessment conducted by the Group, it has been determined that the CT Law does not have any effect on deferred taxes in the consolidated financial statements for the period ending on 31 December 2023. Moving forward, the Group intends to continue to assess the potential influence of the CT Law on its consolidated financial statements, particularly focusing on both current and deferred tax implications, in light of any further explanations and instructions regarding the application of the CT Law.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Group applied the requirements of the New Companies Law during the year ended 31 December 2022.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for items which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value but are not fair value such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted in the preparation of the Group consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has:

- power over the investee,
- exposure, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Bank's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Losses applicable to the non-controlling interests in excess of the non-controlling shareholders' interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

3.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the consolidated income statement in the period in which they are incurred.

Capital work in progress is carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant accounting policies (continued)

3.4 Property and equipment (continued)

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress, using the straight-line method, over the estimated useful lives of the respective assets. Freehold land is not depreciated. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	25 years
Property improvements	4 - 7 years
Furniture, fixtures, equipment and vehicles	4 years
Right of use assets	2 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated income statement.

3.5 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated so as to write off the cost of investment properties using the straight line method over their estimated useful lives of 25 years.

Investment properties are accounted for as acquisitions on the date when ownership passes to the Group under the contract for the purchase of the relevant property, pending which event payments in respect of investment property acquisitions are included in 'receivable and other assets'.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of asset is recognised in the consolidated income statement in the period of derecognition.

3.6 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. **Significant accounting policies** (continued)

3.6 **Impairment of tangible assets** (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement.

3.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives for intangible assets ranges between 4 to 10 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.8 Property inventory

Properties acquired or constructed with the intention of sale are classified as property inventory. These are stated at the lower of cost and net realisable value. Cost includes transaction costs incurred in respect of the acquisition of those properties. Net realisable value represents the estimated selling price for property inventory less all estimated costs necessary to make the sale. Properties acquired through repossession in settlement of loans and advances are recorded at fair value at the date of repossession including transactions costs incurred in respect of such repossession.

3.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.10 Leases

3.10.1 The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

3. Significant accounting policies (continued)

3.10 Leases (continued)

3.10.1 The Group as lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in 'payables and other liabilities' in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in 'property and equipment' in the consolidated statement of financial position.

3. Significant accounting policies (continued)

3.10 Leases (continued)

3.10.1 The Group as lessee (continued)

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

3.10.2 The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.11 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. Refer to note 43 on business segment reporting.

3.12 Acceptances

Acceptances are recognised as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

3. Significant accounting policies (continued)

3.13 Foreign currencies

The individual financial statements of each group entity are presented in AED, which is the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in AED, which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

Transaction in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in consolidated income in the period in which they arise.

3.14 Net interest income and income from Islamic products net of distribution to depositors

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income and income from Islamic products net of distribution to depositors' as 'Interest income', 'Income from Islamic financing and investing assets', 'Interest expense' and 'Distribution to depositors' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period and is recognised in 'other operating income'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECL)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECL in determining the future cash flows expected to be received from the financial asset.

3.15 Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR (see note 3.14).

The fees included in this part of the Group's consolidated income statement include among other things fees charged for servicing a loan, advisory fee (mainly consisting of advising to wholesale clients on loan structuring) and non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement. The Group recognises the fee based on five step model as defined in note 3.18.

3. Significant accounting policies (continued)

3.16 Net income from financial instruments at FVTPL

Net income from other financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL. The Group has elected to present the full fair value movement of assets and liabilities at FVTPL in this line, including the related interest income, expense and dividends (if any).

3.17 Dividend income

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the consolidated Income statements or loss depends on the classification and measurement of the equity investment, i.e.:

- for equity instruments designated at FVTOCI dividend income is presented in other operating income; and
- for equity instruments not designated at FVTOCI, dividend income is presented as net income from financial instruments at FVTPL.

3.18 Revenue from sale of property

The Group recognises revenue from sale of property based on a five step model:

- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Identify the performance obligation in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised goods or services to a customer.
- Allocate the transaction price to the performance obligation in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation which is an amount that depicts the amount of consideration to which the Group expects to be entitled to in exchange for satisfying each performance obligation.
- Recognise revenue when (or as) the Group satisfies a performance obligation.

3.19 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate swaps, cross currency swap and foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 40.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability.

3. Significant accounting policies (continued)

3.20 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as 'ECL allowance' in 'payables and other liabilities'.

The Group has not designated any financial guarantee contracts as at FVTPL.

3.21 Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Commitments to provide a loan below market rate not designated at FVTPL are presented as 'ECL allowance' in 'payables and other liabilities'. The Group has not designated any commitments to provide a loan below market rated designated at FVTPL.

3.22 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to Government-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period.

3. Significant accounting policies (continued)

3.23 Retirement benefit costs (continued)

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest, if any) are recognised immediately in the consolidated statement of financial position with a charge or credit to the consolidated statement of comprehensive income in the period in which they occur. Remeasurements recognised in the consolidated statement of comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs.

Interest is calculated by applying a discount rate to the defined benefit liability. Defined benefit costs are split into three categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- interest expense; and
- re-measurements.

The Group recognises service costs within profit or loss as general and administrative expenses (see note 31). Interest expense is recognised within interest expense (see note 27).

3.23 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

3.24 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

3.24.1 Debt instruments at amortised cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.1 Debt instruments at amortised cost or at FVTOCI (continued)

The Group may have more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. See note 38.1.

In the current and prior reporting period, the Group has not classified any debt instrument at FVTOCI. Further, in the current and prior reporting period the Group has not applied the fair value option and so has not designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

3.24.2 Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; and/or
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 39.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.3 Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on 'Modification and derecognition of financial assets' see note 3.25.10.

3.24.4 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in OCI in the investment's revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investment's revaluation reserve.

3.24.5 Impairment

The Group recognises loss allowances for expected credit losses (ECL) on the financial instruments that are not measured at FVTPL (including loan commitments and financial guarantee contracts). No impairment loss is recognised on equity investments.

With the exception of 'Purchased or Originated Credit-Impaired' (POCI) financial assets (which are considered separately below), ECL are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL are measured at an amount equal to the 12-month ECL.

ECL are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.5 Impairment (continued)

- for undrawn loan commitments, the ECL is the difference between the present value of the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECL is provided in note 38.1, including details on how instruments are grouped when they are assessed on a collective basis.

3.24.6 Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for more than 90 days.

3.24.7 Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.8 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL and the identification of a significant increase in credit risk (see note 38.1).

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in wholesale lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in note 38.1.

3.24.9 Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. See note 38.1 for more details about forward looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine the ECL.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.9 Significant increase in credit risk (continued)

For wholesale lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward looking information includes the same economic forecasts as wholesale lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Group allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in credit worthiness of borrowers measured by rating downgrade which result in higher PD as per staging criteria.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL (please refer to note 38.1).

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For wholesale lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

As a back-stop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL, unless the Group has reasonable and supportable information that demonstrates otherwise.

More information about significant increase in credit risk is provided in note 38.1.

3.24.10 Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.10 Modification and derecognition of financial assets (continued)

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity and covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, with both amounts discounted at the original effective interest. If the difference in present value is substantial the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.10 Modification and derecognition of financial assets (continued)

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

3.24.11 Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off, or in the case of retail loan, when the amounts are over 180 days past due, whichever occurs sooner. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

3.24.12 Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the consolidated statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;

3. Significant accounting policies (continued)

3.24 Financial assets (continued)

3.24.12 Presentation of allowance for ECL in the statement of financial position (continued)

- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

3.25 Equity instruments and financial liabilities

Equity and debt instruments issued by a group entity are classified as either equity or as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of an equity instrument and a financial liability.

3.25.1 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3.25.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.25.2.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. Significant accounting policies (continued)

3.25 Equity instruments and financial liabilities (continued)

3.25.2 Financial liabilities (continued)

3.25.2.1 Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

3.25.2.2 Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.25.2.3 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

3.25.2.4 Sale and Repurchase Agreements

Securities sold subject to repurchase agreements (repos) are disclosed in the notes to the Group consolidated financial statements when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included as a separate deposit. Securities purchased under agreements to resell (reverse repos) are recorded as loans and receivables to either banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

4. Islamic financing and investing products and Islamic customers' deposits

In addition to conventional banking products, the Group offers its customers certain non-interest based banking products, which are approved by its Sharia'a Supervisory Board.

All Islamic banking products and related transactions are accounted for in accordance with its accounting policies for financial instruments and revenue recognition (see note 3).

4.1 Definitions

The following terms are used in the consolidated financial statements with the meaning specified:

4.1.1 Murabaha

A contract whereby the Group (the "Seller") sells an asset to its customer (the "Purchaser"), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. The Murabaha sale price is paid by the Purchaser to the Seller on an instalment basis over the period of the Murabaha as stated in the contract.

4.1.2 Ijarah

An agreement whereby the Group (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing/acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term/periods, payable on fixed or variable rental basis.

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value or as a gift by a separate sale or gift contract at the end of the lease period.

4.1.3 Wakala

An agreement between two parties whereby one party is a fund provider (the "Muwakkil") who provides a certain amount of money (the "Wakala Capital") to an agent (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, wakala profit is distributed on declaration/distribution by the Wakeel.

The Wakeel would bear the loss in case of its default, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Group may act either as Muwakkil or as Wakeel, as the case may be.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical judgments in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements:

5.1.1 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets accounting policy in note 3.25). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Significant increase of credit risk

As explained in note 3.25.5, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 3.28 and note 38.1 for more details.

5.1.3 Establishing groups of assets with similar credit risk characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 38.1 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECL, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECL but the amount of ECL changes because the credit risk of the portfolios differ.

5. Critical accounting judgments and key sources of estimation uncertainty (continued)

5.1 Critical judgments in applying the Group's accounting policies (continued)

5.1.4 Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3.25 and note 38.1 for more details on ECL and note 39 for more details on fair value measurement.

5.1.5 Investment in MURJAN

AKPI, a subsidiary of the Bank, has investment of 50% equity stake in MURJAN. In 2010, the court, on request of shareholders of MURJAN, issued an order to dissolve the company and approved appointment of liquidators. Since MURJAN is managed by liquidators, AKPI assessed that it does not exercise any control or significant influence over MURJAN and investment in MURJAN is classified as financial assets measured at FVTPL.

5.2 Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

5.2.1 Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 38.1.3 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

5.2.2 Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See note 38.1 for more details.

5.2.3 Loss Given Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 38.1.

5.2.4 Fair value measurement and valuation process

Certain assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses valuation models or engages third party qualified independent valuers to perform the valuation. Management works closely with the qualified independent valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 11, 14, 12 and 39.

5. Critical accounting judgments and key sources of estimation uncertainty (continued)

5.2 Key sources of estimation uncertainty (continued)

5.2.5 Impairment of property and equipment and investment properties

The Group determines at each reporting date whether there is any objective evidence that the property and equipment and investment properties are impaired. The management estimates the market value of properties based on the current market conditions and comparative transactions conducted by the independent valuers not related to the Group and how have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Whenever the carrying amount of any property exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

6. Cash and balances with the Central Bank

In the table below, statutory cash ratio requirements with the Central Bank of the UAE represent mandatory reserve deposits and are not available for use in the Group's day-to-day operations. Cash on hand and current accounts and other balances are non-interest bearing. Overnight deposits carry interest rate of 5.4% per annum (2022: 4.40% per annum).

	2023 AED '000	2022 AED '000
Cash on hand	58,664	62,981
Balance due from the Central Bank:		
Statutory cash ratio requirements	325,654	219,584
Overnight deposits	1,000,000	2,350,000
	1,384,318	2,632,565
Balance due to the Central Bank:		
Current account	1,783	1,748
	1,783	1,748

7. Deposits and balances due from banks

	2023 AED '000	2022 AED '000
Demand and call deposits	47,289	61,611
Loan to banks	668,120	403,986
	715,409	465,597
ECL allowance	(8,401)	(7,149)
	707,008	458,448

Loan to banks carry interest rate of 5.0% to 9.1% per annum (2022: 6.4% to 9.1% per annum) maturing between 2024 to 2026 (2022: maturing in 2023).

8. Loans and advances to customers

	2023 AED '000	2022 AED '000
Retail lending:		
Mortgage loans	626,772	727,343
Credit cards	45,914	39,812
Other	425,587	389,339
	1,098,273	1,156,494
ECL allowance	(30,035)	(34,813)
	1,068,238	1,121,681
Wholesale lending:		
Loans	8,596,653	9,230,017
Overdrafts	1,965,246	1,947,346
Trust receipts	412,388	306,997
Bills discounted	249,767	379,027
	11,224,054	11,863,387
ECL allowance	(711,467)	(574,635)
	10,512,587	11,288,752
	11,580,825	12,410,433

9. Islamic financing and investing assets

	2023 AED '000	2022 AED '000
Wholesale lending:		
Murabaha	804,302	265,785
Ijarah	270,769	275,311
Others	6,269	6,269
	1,081,340	547,365
Deferred income	(8,789)	(5,817)
	1,072,551	541,548
ECL allowance	(44,937)	(27,849)
	1,027,614	513,699

10. Receivables and other assets

	2023 AED '000	2022 AED '000
Customer acceptances (i)	379,897	1,880,188
Interest and profit receivable	38,544	23,639
Prepayments	15,844	18,099
Advances to acquire properties (ii)	3,514	3,514
Other	241,967	210,923
	679,766	2,136,363
ECL allowance	(5,122)	(4,524)
	674,644	2,131,839

(i) Customer acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position. However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

(ii) During 2022, the Group transferred advance to acquire properties in the amount of AED 41.2 million to property and equipment (note 16). This property (building) is being used for the Bank's back office.

11. Property inventory

The property inventory comprises real estate properties held by the Group for the purpose of sale in the ordinary course of business and is carried at lower of cost or net realisable value. The movements in property inventory during the year were as follows:

	2023 AED '000	2022 AED '000
Balance at 1 January	500,660	559,503
Additions and repossessed during the year	8,166	69,332
Net realisable value adjustment during the year	23,277	2,800
Disposals during the year	(73,433)	(130,975)
Balance at 31 December	458,670	500,660

The net realisable value of the Group's property inventory as at 31 December 2023 and 31 December 2022 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. Independent valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The net realisable value was determined based on either the market comparable approach that reflects recent transaction prices for similar properties or on a present value calculation of the estimated future cash flows supported by existing lease and current market rents for similar properties at the same location. The net realisable value adjustments have been included in profit or loss in the 'Net reversal on non-financial assets' line item.

12. Investment securities measured at fair value

The Group has designated the following investments in equity instruments and investment fund as these are investments that the Group plans to hold in the long term for strategic reasons. The Group has also assigned investment in equity stake in MURJAN as FVTPL (see note 5.1.5). The table below shows fair value of these investments.

	2023 AED '000	2022 AED '000
Investment at FVTOCI		
Investment in quoted shares	29,656	26,959
Investment in unquoted shares	15,562	17,373
Investment in unquoted investment fund	1,408	1,406
	46,626	45,738
Investment at FVTPL		
Investment in unquoted shares	253,695	218,271
	300,321	264,009

An analysis of concentration of investment securities measured at fair value by sector and by region is as follows:

	Within the UAE		Outside the UAE	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Financial institutions	23,925	21,913	15,562	17,373
Government entities	6,515	5,917	-	-
Real estate	253,695	218,272	-	-
Other	624	534	-	-
	284,759	246,636	15,562	17,373

12. Investment securities measured at fair value (continued)

As of 31 December 2023, change in fair value of investment measured at FVTPL resulted in gain of AED 35.4 million (2022: a gain of AED 70.4 million) and was recognised as other operating income, net in the consolidated income statement.

As of 31 December 2023, change in fair value of other financial assets measured at FVTOCI resulted in a gain of AED 0.9 million (2022: a loss of AED 69.8 million) and was recognised in the consolidated statement of comprehensive income. During 2022, The Board approved the write-off for the investments in Al Caribi Antigua Development, which was acquired in 2018 as a settlement of debt, the write-off had a negative impact on the accumulated losses by AED 82.7 million

During the year ended 31 December 2023, the Group purchased and disposed equity shares amounting to AED Nil million for both (2022: AED 6.5 million and Nil) respectively.

13. Investment securities measured at amortised cost

	2023 AED '000	2022 AED '000
Investment in debt instruments	1,530,660	1,128,052
Investment in Islamic Sukuk	866,073	680,639
Monetary bills	295,712	285,311
	2,692,445	2,094,002
ECL allowance	(15,444)	(11,025)
	2,677,001	2,082,977

An analysis of concentration of investment securities measured at amortised cost (gross) by sector and by region is as follows:

	Within the UAE		Outside the UAE	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Government entities	1,109,767	1,013,896	965,219	915,954
Financial Institutions	324,363	-	-	-
Others	99,143	98,959	193,953	65,193
	1,533,273	1,112,855	1,159,172	981,147

The Group holds these investment securities with an average yield of 2.7% to 8.6 % per annum (2022: 2.7 % to 8.1% per annum). Monetary bills carry interest rate ranging between 5.2% and 5.5 % per annum (2022: 1.0% and 4.8 % per annum).

At 31 December 2023, certain financial assets measured at amortised cost with an aggregate carrying value of AED 749.0 million (fair value of AED 741.0 million) (2022: carrying value of AED 838.7 million, fair value of AED 849.8 million) which were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 631.5 million (2022: AED 700.3 million)

14. Investment properties

	2023 AED '000	2022 AED '000
Cost:		
Balance at 1 January	43,549	69,966
Transfer from property and equipment (note 16)	13,323	-
Disposals during the year	(514)	(26,417)
Balance at 31 December	56,358	43,549
Accumulated depreciation and accumulated impairment:		
Balance at 1 January	17,527	31,142
Transfer from property and equipment (note 16)	5,117	-
Depreciation charge for the year (note 31)	1,187	1,279
Net reversals during the year (note 33)	(6,570)	(2,292)
Disposals	-	(12,602)
Balance at 31 December	17,261	17,527
Carrying value:		
Balance at 31 December	39,097	26,022

Fair value of investment properties

The fair value of the Group's investment property as at 31 December 2023 and 31 December 2022 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. Independent valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on a market value comparison / present value calculation of the estimated future cash flows supported by existing lease and current market rents for similar properties at the same locations. The interest rate, which is used to discount the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2023 and 31 December 2022 are as follows:

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Fair value AED '000
31 December 2023	**-**	**-**	**39,097**	**42,809**
31 December 2022	-	-	26,022	28,600

At the end of reporting period, as a result of the indication of increase in the fair value of investment properties, the Group carried out a review of the recoverable amount of its investment properties. The review led to the recognition of an impairment reversal of AED 6.6 million (2022: impairment reversal of AED 2.3 million), which has been recognised in the consolidated income statement in the 'Net reversal of impairment on non-financial assets' line item. A 5% decrease in recoverable amount will lead to an impairment charge of AED 1.9 million (2022: AED 1.3 million).

All investment properties are within the UAE and MENA. During the year the Group recognised rental income of AED 0.4 million (2022: AED 0.8 million) from investment properties which is included in other operating income. The Group also incurred AED 0.03 million (2022: AED 0.4 million) operating expenses from investment property that generated rental income during the year.

15. Intangible assets

	2023 AED '000	2022 AED '000
Cost:		
Balance at 1 January	127,446	125,353
Transfers from capital work in progress (note 16)	7,878	-
Additions during the year	892	2,093
Balance at 31 December	136,216	127,446
Accumulated amortisation:		
Balance at 1 January	98,845	85,176
Amortisation charge for the year (note 31)	10,201	13,669
Balance at 31 December	109,046	98,845
Carrying value:		
Balance at 31 December	27,170	28,601

16. Property and equipment

	Freehold land and buildings AED '000	Property improvements AED '000	Furniture, fixtures, equipment and vehicles AED '000	Right of use assets AED '000	Capital work in progress AED '000	Total AED '000
Cost:						
Balance at 1 January 2022	13,323	25,801	62,697	89,168	10,755	201,744
Additions during the year	-	1,775	2,165	2,119	13,516	19,575
Disposals during the year	-	(7,707)	(1,776)	(34,903)	-	(44,386)
Transfers from Capital work in progress	-	6,630	2,800	-	(9,430)	-
Transfer from advance to acquire properties (note 10)	41,171	-	-	-	-	41,171
Adjustments	-	-	-	(2,744)	(63)	(2,807)
Balance at 31 December 2022	54,494	26,499	65,886	53,640	14,778	215,297
Additions during the year	114	2,554	4,724	2,182	10,824	20,398
Transfers from Capital work in progress	-	8,165	2,389	-	(18,432)	(7,878)
Transfers to investment properties (note 14)	(13,323)	-	-	-	-	(13,323)
Disposals during the year	-	-	-	(14,020)	-	(14,020)
Adjustments	-	-	-	1,023	-	1,023
Balance at 31 December 2023	**41,285**	**37,218**	**72,999**	**42,825**	**7,170**	**201,497**
Accumulated depreciation and accumulated impairment:						
Balance at 1 January 2022	4,318	22,040	51,554	53,090	-	131,002
Depreciation for the year (note 31)	1,750	3,500	5,305	9,368		19,923
Disposals	-	(7,707)	(1,611)	(34,867)	-	(44,185)
Adjustments	-	-	-	(2,125)	-	(2,125)
Balance at 31 December 2022	6,068	17,833	55,248	25,466	-	104,615
Depreciation for the year (note 31)	1,931	3,268	6,174	9,515	-	20,888
Transfers to investment properties (note 14)	(5,117)	-	-	-	-	(5,117)
Disposals	-	-	-	(14,020)	-	(14,020)
Adjustments	-	-	-	669	-	669
Balance at 31 December 2023	**2,882**	**21,101**	**61,422**	**21,630**	**-**	**107,035**
Carrying value:						
Balance at 31 December 2023	**38,403**	**16,117**	**11,577**	**21,195**	**7,170**	**94,462**
Balance at 31 December 2022	48,426	8,666	10,638	28,174	14,778	110,682

17. Deposits and balances due to banks

	2023 AED '000	2022 AED '000
Demand and call deposits	81,524	78,628
Term borrowings	1,667,521	2,301,062
Islamic inter bank borrowings	367,280	934,520
Repurchase agreements with banks	611,351	631,851
Islamic repurchase agreements with banks	20,159	68,470
	2,747,835	4,014,531

The geographical analysis of deposits and balances due to banks is as follows:

	2023 AED '000	2022 AED '000
Within the UAE	1,176,570	1,784,309
Outside the UAE	1,571,265	2,230,222
	2,747,835	4,014,531

The above repurchase agreements with banks are at an average interest rate of 5.9% to 6% per annum (2022: 4.8% to 5.4% per annum). Collateral provided as security against these Repo borrowings are disclosed in Note 13 to the consolidated financial statements.

18. Customers' deposits

	2023 AED '000	2022 AED '000
Current accounts	1,892,762	1,688,250
Saving accounts	428,451	802,985
Time deposits	8,788,979	8,712,838
Other	143,665	156,470
	11,253,857	11,360,543

The geographical analysis of customers' deposits is as follows:

	2023 AED '000	2022 AED '000
Within the UAE	11,123,831	11,304,343
Outside the UAE	130,026	56,200
	11,253,857	11,360,543

19. Islamic customers' deposits

	2023 AED '000	2022 AED '000
Current accounts	63,920	109,861
Saving accounts	571	970
Investment deposits	1,272,321	715,134
Other	17,062	13,317
	1,353,874	839,282

19. Islamic customers' deposits (continued)

The geographical analysis of the Islamic customers' deposits is as follows:

	2023 AED '000	2022 AED '000
Within the UAE	1,291,947	838,311
Outside the UAE	61,927	971
	1,353,874	839,282

20. Payables and other liabilities

	2023 AED '000	2022 AED '000
Customer acceptances (note 10)	379,897	1,880,188
Interest and profit payable	113,016	88,172
Liability arising from defined benefit obligation (note 20.1)	47,706	43,670
ECL allowance	37,180	38,525
Lease liability	17,889	23,943
Cheques and drafts payable	21,294	13,523
Unearned commission	6,767	7,369
Zakat payable (see 20.2)	2,378	1,778
Other	109,280	148,550
	735,407	2,245,718

20.1 Retirement benefit plans

20.1.1 Defined contribution plan

The UAE national employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute 15% of the "contribution calculation salary" of the UAE payroll costs to the retirement benefit scheme to fund the benefits. The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated income statement.

20.1.2 Defined benefit plan

The Group sponsors defined benefit plan for qualifying employees as per the Federal Decree Law No. 33 of 2021 Regarding the Regulation of Employment Relationship and its amendments . Under the plan the employees' entitlement to the benefit is based upon the employees' salary and length of service, subject to completion of minimum service period.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2023 and 31 December 2022 by an independent Actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

20. Payables and other liabilities (continued)

20.1 Retirement benefit plans (continued)

20.1.2 Defined benefit plan (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023	**2022**
Discount rate	**5.93%**	4.84%
Expected rate of salary increase	**3.00%**	3.00%

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	2023 AED '000	**2022 AED '000**
Service cost:		
Current service cost	7,671	13,814
Interest expense	1,783	904
	9,454	14,718

Amounts recognised in other comprehensive income are as follows:

	2023 AED '000	**2022 AED '000**
Actuarial gains and losses arising from changes in assumptions	1,870	12,122
Other remeasurement of net defined benefit liability	911	(9,011)
	2,781	3,111

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit plans is as follows:

	2023 AED '000	**2022 AED '000**
Present value of defined benefit obligation	47,706	43,670

Movements in the present value of defined benefit obligations in the year were as follows:

	2023 AED '000	**2022 AED '000**
Balance at 1 January	43,670	36,199
Service cost	7,671	13,814
Interest expense	1,783	904
Remeasurement (gain)	(2,781)	(3,113)
Benefits paid during the year	(2,637)	(4,134)
Balance at 31 December	47,706	43,670

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected rate of salary increase and turnover rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

20. Payables and other liabilities (continued)

20.1 Retirement benefit plans (continued)

20.1.2 Defined benefit plan (continued)

If the discount rate is 50 basis points higher, the defined benefit obligation would decrease by 4.2% (2022: 4.4%) and if the discount rate is 50 basis points lower, the defined benefit obligation would increase by 4.5% (2022: 4.8%).

If the expected rate of salary increase increases by 50 basis points, the defined benefit obligation would increase by 4.5% (2022: 4.7%) and If the expected rate of salary decreases by 50 basis points, the defined benefit obligation would decrease by 4.2% (2022: 4.4%).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

20.2 Zakat payable

Zakat calculations are reviewed and approved annually by the Internal Sharia Supervisory Committee (ISSC). Payments for zakat are transferred to the Zakat Fund in the UAE.

21. Share capital

The authorised, issued, and paid-up capital of the Bank comprises 1,737,383,050 shares of AED 1 each (2022: 1,737,383,050 shares of AED 1 each). Fully paid-up shares carry one vote per share and carry a right to dividends.

On October 4, 2023, the Central Bank of the UAE approved the General Meeting resolution and agenda items presented on July 12, 2023, which are related to the increase of the Bank's share capital by an amount of up to AED 889.1 million.

22. Tier 1 Capital Securities

On 23 December 2015, the Bank issued Tier 1 Capital Securities (the "Capital Securities") through an SPV, CBI Tier 1 Private Ltd, (the "Issuer") amounting to USD 125 million (AED 459.125 million). These Capital Securities are perpetual and carry an interest rate of 5.993% per annum revised from the earlier rate of 6.5% per annum (calculated based on the relevant Six- Years Mid Swap Rate plus 4.71 percent per annum) during the "initial period". After the initial period, at every reset date, interest would be calculated for the next reset period at the relevant Six-Year Mid Swap Rate plus a margin of 4.71 % per annum.

Interest is payable semi-annually in arrears on these Capital Securities. The "Initial Period" is the period (from and including) the Issue Date to (but excluding) the First Call Date. The "Reset Date" is the First Call Date and every sixth anniversary thereafter. These Capital Securities are callable by the Bank on 23 June 2024 and every interest payment date thereafter, subject to satisfying certain conditions (including the conditions of the agreement).

Tier 1 Capital Securities are perpetual, subordinated and unsecured. The Bank may elect not to pay a coupon at its own discretion, amongst other conditions. The holder of the Capital Securities does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default.

23. Reserves

23.1 Statutory reserve

In accordance with UAE Federal Law no. 32 of 2021 on commercial companies and the Bank's Articles of Association, a transfer equivalent to at least 10% of the annual net profit is made annually to the statutory reserve until such reserve equals 50% of the paid-up share capital.

23.2 Investments revaluation reserve

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets carried at fair value through other comprehensive income.

23.3 CBUAE provision reserve

CBUAE provision reserve comprise of following.

	2023 AED '000	2022 AED '000
Specific provision reserve	271,899	284,203

23.3.1 Specific provision reserve

In accordance with the requirements of CBUAE the excess of the credit impairment provisions calculated in accordance with CBUAE requirements over the ECL allowance for stage 3 exposures calculated under IFRS 9 is transferred to 'specific provision reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends. Had the Group taken provision in accordance with the requirements of the CBUAE, the profit for the year would have been lower by 12.3 million (2022: lower by AED 10.7 million).

23.3.2 General provision reserve

In accordance with the requirements of CBUAE the excess of the credit impairment provisions of 1.5% of total credit risk weighted assets calculated in accordance with CBUAE requirements over the ECL allowance of stage 1 and stage 2 exposures calculated under IFRS 9 is transferred to 'general provision reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends. Had the Group taken provision in accordance with the requirements of the CBUAE, the profit for the year would have been Nil (2022: Nil).

23. Reserves (continued)

The movement in these reserves is as follows:

	Statutory reserve AED '000	General reserve AED '000	Investment revaluation reserve AED '000	CBUAE specific provision reserve AED '000	Total AED '000
2023					
As at 1 January	300,249	31,471	(64,805)	284,203	551,118
Other comprehensive income		-	884	-	884
Transfer to retained earning	-	(31,471)	-	(12,304)	(43,775)
Transfers to reserves	17,064	-	-	-	17,064
As at 31 December	317,313	-	(63,921)	271,899	525,291
2022					
As at 1 January	285,202	16,424	(77,639)	273,491	497,478
Other comprehensive loss	-	-	(69,843)	-	(69,843)
Transfers to reserves	15,047	15,047	82,677	10,712	123,483
As at 31 December	300,249	31,471	(64,805)	284,203	551,118

24. Non-controlling interests

Non-controlling interests in respect of the Group's non-wholly owned subsidiary is set out below.

	% of ownership and voting rights		Profit allocated. to non-controlling interests for the year		Non-controlling Interests as at 31 December	
	2023	2022	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
IFB	99.4%	99.4%	-	-	-	-
AKPI	52.8%	52.8%	16,720	33,233	120,057	103,337
			16,720	33,233	120,057	103,337

24. Non-controlling interests (continued)

Summarised financial information in respect of AKPI that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 AED '000	2022 AED '000
Current assets	253,695	218,271
Non-current assets	-	-
Total assets	253,695	218,271
Current liabilities	-	-
Non-current liabilities	-	-
Equity attributable to the owners of AKPI	253,695	218,271
Total liabilities and equity	253,695	218,271
Net income from financial assets at FVTPL	35,424	70,408
Profit for the year	35,424	70,408
Total comprehensive income for the year	35,424	70,408
Total comprehensive income for the year attributable to:		
Owners of AKPI	18,704	37,175
Non-controlling interests	16,720	33,233
	35,424	70,408

25. Interest income

	2023 AED '000	2022 AED '000
Loans and overdrafts	770,542	562,160
Bills discounted	14,149	12,288
Loan to banks	43,199	6,335
Debt instruments	100,397	46,284
Placements with banks	55,504	27,180
	983,791	654,247

26. Income from Islamic financing and investing assets

	2023 AED '000	2022 AED '000
Murabaha	10,683	8,481
Ijarah	40,621	19,266
Islamic sukuk	31,077	18,186
Wakala	988	172
	83,369	46,105

Total interest income and income from Islamic financing and investing assets, have increased due to overall increase in Emirates Interbank Offer rate "EIBOR" and Secured Overnight Financing Rate "SOFR".

27. Interest expense

	2023 AED '000	2022 AED '000
Customers' deposits	436,680	211,442
Borrowings from banks	129,141	47,954
Others	34,042	3,009
	599,863	262,405

28. Distribution to Islamic depositors

	2023 AED '000	2022 AED '000
Islamic customers' deposits	50,134	18,375
Islamic investment deposits from banks	61,920	21,768
	112,054	40,143

29. Net fee and commission income

	2023 AED '000	2022 AED '000
Fee and commission income:		
Commission on trade finance products	51,521	47,964
Advisory fee	20,335	12,597
Facility processing fee	26,875	25,466
Account service fee	3,112	3,626
Banking fee and commission	5,023	4,814
Insurance commission	3,026	3,308
Credit card related fee	7,926	7,250
Clearing and settlement fee	9,507	8,023
Other	3,729	3,075
	131,054	116,123
Fee and commission expense:		
Credit card related expenses	(13,237)	(8,861)
Other	(5,277)	(5,999)
	(18,514)	(14,860)
	112,540	101,263

30. Other operating income, net

	2023 AED '000	2022 AED '000
Foreign exchange gains	28,595	16,612
Net income from financial assets at FVTPL	32,042	72,469
Gain on sale of non-financial assets	7,870	12,275
Other	7,257	2,386
	75,764	103,742

31. General and administrative expenses

	2023 AED ’000	2022 AED ’000
Payroll and related expenses	229,916	210,514
Contributions to defined contribution plan	4,711	3,254
Rent	1,117	984
Amortisation of intangible assets (note 15)	10,201	13,669
Depreciation on property and equipment (note 16)	20,888	19,923
Depreciation on investment properties (note 14)	1,187	1,279
Directors’ expenses	194	116
Insurance expense	13,831	10,469
Consultation fees	13,157	19,214
Maintenance costs	26,127	24,027
Other	27,763	24,294
	349,092	327,743

The Group's social contributions for the years ended 31 December 2023 and 2022 were AED Nil

32. Net impairment loss on financial assets

	2023 AED ’000	2022 AED ’000
ECL charge for the year net of reversals	80,861	161,221
Recoveries against written off loans	(28,960)	(37,202)
Other	1,760	2,669
	53,661	126,688

33. Net reversal of impairment on non-financial assets

	2023 AED ’000	2022 AED ’000
Impairment reversal / (loss) on property inventory (note 11)	23,277	(200)
Net reversal on investment properties (note 14)	6,570	2,292
	29,847	2,092

34. Contingent liabilities and commitments

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to provide a loan. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

34.1 Letters of credit and guarantees

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

The contractual amounts of contingent liabilities are set out in the following table by category. The amounts reflected in the table represent the maximum accounting loss that would be recognised at the end of reporting period if counterparties failed to perform as contracted.

34. Contingent liabilities and commitments (continued)

34.1 Letters of credit and guarantees (continued)

	2023 AED '000	2022 AED '000
Guarantees	2,667,400	2,602,806
Letters of credit	349,608	335,453
	3,017,008	2,938,259

34.2 Other commitments

At any time, the Group has outstanding irrevocable commitments to provide a loan. These commitments are in the form of approved loan facilities. The amounts reflected in the table below for commitments assume that amounts are fully advanced.

	2023 AED '000	2022 AED '000
Loan commitments	2,380,501	1,476,380
Capital commitments	1,548	13,145
	2,382,049	1,489,525

35. Basic and diluted earnings per share

Earnings per share are calculated by dividing the profit for the year attributed to the owners of the Bank less interest paid on Tier 1 Capital Securities by the weighted average number of shares in issue throughout the period as follows:

	2023	2022
Profit for the period attributable to owners of the Bank (AED '000)	153,921	117,237
Weighted average number of shares in issue ('000)	1,737,383	1,737,383
Basic and diluted earnings per share (AED)	0.089	0.067

36. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	2023 AED '000	2022 AED '000
Cash and balances with the Central Bank	1,384,318	2,632,565
Deposits and balances due from banks	715,409	465,597
Financial assets measured at amortized cost	295,712	285,311
	2,395,439	3,383,473
Less: Statutory reserve with the Central Bank of the UAE	(325,654)	(219,584)
Less: Balances due from banks with original maturity of 90 days or more	(668,120)	(403,986)
Less: Financial assets measured at amortized cost with original maturity of 90 days or more	(295,712)	(235,509)
	1,105,953	2,524,394

37. Classification of financial assets and financial liabilities

37.1 Non-derivative and derivative financial assets and financial liabilities

	At fair value		At amortised cost		Total	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Non-derivative financial assets						
Cash and balances with the Central Bank	-	-	1,384,318	2,632,565	1,384,318	2,632,565
Deposits and balances due from banks	-	-	715,409	465,597	715,409	465,597
Loans and advances to customers	-	-	12,322,327	13,019,881	12,322,327	13,019,881
Islamic financing and investing assets	-	-	1,072,551	541,548	1,072,551	541,548
Receivables and other assets	-	-	660,408	2,114,750	660,408	2,114,750
Investment securities at fair value	300,321	264,009	-	-	300,321	264,009
Investment securities measured at amortised cost	-	-	2,692,445	2,094,002	2,692,445	2,094,002
	300,321	264,009	18,847,458	20,868,343	19,147,779	21,132,352
Derivative financial assets - FVTPL	2,633	6,604	-	-	2,633	6,604
	302,954	270,613	18,847,458	20,868,343	19,150,412	21,138,956
Non-derivative financial liabilities						
Balance due to the Central Bank	-	-	1,783	1,748	1,783	1,748
Deposits and balances due to banks	-	-	2,747,835	4,014,531	2,747,835	4,014,531
Customers' deposits	-	-	11,253,857	11,360,543	11,253,857	11,360,543
Islamic customers' deposits	-	-	1,353,874	839,282	1,353,874	839,282
Payables and other liabilities	-	-	643,754	2,156,054	643,754	2,156,054
	-	-	16,001,103	18,372,158	16,001,103	18,372,158
Derivative financial liabilities - FVTPL	8,068	6,084	-	-	8,068	6,084
	8,068	6,084	16,001,103	18,372,158	16,009,171	18,378,242

38. Financial risk management

The Group has exposure to the following primary risks from its use of financial instruments. The exposures to these risks and how they arise has remained unchanged from last year.

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Operational risk

The following section discusses the Group's risk management policies which remain unchanged from last year.

38.1 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, Islamic financing and investing assets 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.

38.1.1 Management of credit risk

The Group's Credit and Risk Committee are responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, which is based on an approved risk appetite framework, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group, 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 continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk 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. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

  The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.2 Significant increase in credit risk

As explained in note 3 the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Internal credit risk ratings

The Group's credit risk grading framework comprises twenty-two categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For wholesale exposures: information obtained by periodic review of customer files including review of audited financial statements, analysis of market data such as prices of credit default swaps (CDS) or quoted bonds where available, assessment for changes in the sector in which the customer operates etc.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades to external ratings.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.2 Significant increase in credit risk (continued)

Risk grade	Description	Moody's rating
1	Low to fair risk	Aaa
2+	Low to fair risk	Aa1
2	Low to fair risk	Aa2
2-	Low to fair risk	Aa3
3+	Low to fair risk	A1
3	Low to fair risk	A2
3-	Low to fair risk	A3
4+	Low to fair risk	Baa1
4	Low to fair risk	Baa2
4-	Standard monitoring	Baa3
5+	Standard monitoring	Ba1
5	Standard monitoring	Ba2
5-	Standard monitoring	Ba3
6+	Watch and special monitoring	B1
6	Watch and special monitoring	B2
6-	Watch and special monitoring	B3
7+	Watch and special monitoring	Caa1
7	Watch and special monitoring	Caa2
7-	Watch and special monitoring	Caa3
8	Default: Substandard	Ca - C
9	Default: Doubtful	Ca - C
10	Default: Impaired	Ca - C

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises certain indicative qualitative indicators assessed.

	Qualitative indicators assessed
Retail lending	Changes in performance behaviour of borrower or portfolio (past due days), LTV ratio (for mortgage loans), extension to the terms granted, actual or expected forbearance or restructuring, blacklisted employers or loss of job, adverse change in economic conditions, uncollateralised bullet payment loans.
Wholesale lending	Significant change in operating results of a borrower, significant adverse change in regulatory, economic or technological environment, actual or expected forbearance or restructuring, early signs of cash flows and liquidity problems, past due days, internal ratings downgrade, significant increase in exposure at default due to change in collateral value, uncollateralised bullet payment loans.
Due from banks	Significant increase in credit spread, external credit ratings
Debt instruments	Significant increase in credit spread, external credit ratings
Financial guarantee contract	Increase in credit risk of other financial instruments of the borrower

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.2 Significant increase in credit risk (continued)

Loan commitments are assessed along with the category of loan the Group is committed to provide, i.e. commitments to provide mortgages are assessed using similar criteria to mortgage loans, while commitments to provide a wholesale loan are assessed using similar criteria to wholesale loans.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

38.1.3 Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The expected credit losses have been determined using three forward-looking scenarios – Upside, Baseline and Downside (2022: Two forward-looking scenarios – Baseline and Adverse). The ECL is calculated for each scenario and weighted by the likelihood of that scenario occurring.

Based on the historical data on key macroeconomic indicators which are sourced from Moody's Data Buffet, the Group formulates a 'base case' view of the future direction of the economic outlook that drives the default rates of each portfolio of financial instruments. The baseline scenario represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting and other business activities. The adverse scenario represents more pessimistic outcomes, while upside scenario represents a scenario where the economy will outperform the baseline.

The Group redeveloped macroeconomic models to incorporate the recent data and portfolio changes. Using robust macroeconomic modelling methodology, the Group identified and documented the key macroeconomic factors that drives the change in default rates of each portfolio of financial instruments. Following key macroeconomic data and forecasts provided by Moody's Data Buffet have been utilized by the Group to incorporate forward-looking information into the PD term structure of each of the scenario:

- Compensation of Employees - Real, (Bil. 2010 AED)
- Cyclical indicators: Augmented economic composite indicator - Non-oil, (% Y/Y)
- Residential property prices: Abu Dhabi All dwellings, (AED per m^2)
- General government debt to GDP ratio, (%)
- House Price Index: Real, (Index 2010=100)
- Unit labor cost, (Index 2010=100)
- Labor Force Survey: Unemployment Rate, (%)
- National Accounts: Real Domestic Demand, (Bil. 2010 AED)
- Residential property prices: Dubai, All dwellings, (AED per m^2)

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.3 Incorporation of forward-looking information (continued)

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2023 for the years 2024 to 2026, for the UAE, which is the country where the Group operates and therefore is the country that has a material impact on ECL.

December 2023

	2024	**2025**	**2026**
Compensation of Employees - Real, (Bil. 2010 AED)			
• Upside scenario	489.9	517.7	532.2
• Baseline scenario	464.8	483.9	501.4
• Downside scenario	440.4	453.7	465.9
Cyclical indicators: Augmented economic composite indicator - Non-oil, (% Y/Y)			
• Upside scenario	5.3	4.4	3.3
• Baseline scenario	3.7	3.7	3.1
• Downside scenario	(0.5)	2.3	3.6
Residential property prices (Abu Dhabi: All dwellings, (AED per m²)			
• Upside scenario	12,611.1	13,050.7	13,081.3
• Baseline scenario	12,071.2	12,474.0	12,579.3
• Downside scenario	10,621.0	11,001.4	11,302.9
General government debt to GDP ratio, (%)			
• Upside scenario	19.5	21.9	25.5
• Baseline scenario	23.6	26.6	30.1
• Downside scenario	35.2	42.9	43.7
House Price Index: Real, (Index 2010=100)			
• Upside scenario	128.8	143.5	153.7
• Baseline scenario	123.4	136.5	146.8
• Downside scenario	111.9	123.5	134.1
Unit labor cost, (Index 2010=100)			
• Upside scenario	118.3	120.7	121.7
• Baseline scenario	115.3	116.3	118.2
• Downside scenario	114.1	114.8	114.8
Labor Force Survey: Unemployment Rate, (%)			
• Upside scenario	1.7	2.1	2.3
• Baseline scenario	2.4	2.3	2.3
• Downside scenario	3.0	2.7	2.5
National Accounts: Real Domestic Demand, (Bil. 2010 AED)			
• Upside scenario	1,546.3	1,613.0	1,654.7
• Baseline scenario	1,489.2	1,546.0	1,586.2
• Downside scenario	1,352.1	1,412.0	1,477.9
Residential property prices (Dubai) : All dwellings, (AED per m²)			
• Upside scenario	16,570.1	16,962.9	16,896.9
• Baseline scenario	15,860.6	16,213.3	16,248.5
• Downside scenario	13,955.1	14,299.3	14,599.8

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.3 Incorporation of forward-looking information (continued)

The table below summarises the key macroeconomic indicators included in the economic scenarios used at 31 December 2022 for the years 2023 to 2025, for the United Arab Emirates, which is the country where the Group operates and therefore is the country that has a material impact on ECL.

	2023	2024	2025
Augmented economic composite indicator, (% Y/Y)			
• Base scenario	(0.1)	2.1	1.8
• Adverse scenario	(4.6)	0.8	1.8
Hotel occupancy, (%)			
• Base scenario	77.8	78.7	79.2
• Adverse scenario	69.6	73.0	77.4
Residential property prices: All dwellings, (AED per m^2,)			
• Base scenario	12,613.0	12,593.0	12,938.0
• Adverse scenario	11,240.0	11,085.0	11,665.0
Labor Force Survey: Unemployment Rate, (%,)			
• Base scenario	2.9	2.6	2.5
• Adverse scenario	3.5	2.9	2.6
Consumer Price Index: Total, (Index 2014=100)			
• Base scenario	114.7	116.9	118.8
• Adverse scenario	115.2	116.9	118.9
Real Private Consumption Expenditure, (Bil. 2010 AED)			
• Base scenario	532.0	555.0	568.0
• Adverse scenario	509.0	515.0	518.0
General Government Finance: Revenue, (Bil. AED)			
• Base scenario	579.0	560.0	564.0
• Adverse scenario	522.0	499.0	530.0
Share Price Index: ADX General Index, (Index)			
• Base scenario	8,902.0	8,989.0	9,018.0
• Adverse scenario	7,629.0	8,316.0	8,481.0

There has been no significant sensitivity impact on ECL if the macroeconomic variables (defined above) were to change by the base case, upside and downside scenarios.

38.1 Credit risk (continued)

38.1.4 Measurement of ECL

Following risk parameters have been used by the Bank to measure the ECL:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these parameters are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is the predicted probability that a pool of obligors will default over the predefined future time horizon. For each portfolio of financial instruments, PDs are estimated using robust statistical models – rating models for wholesale facilities and roll rate models for retail facilities. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Macroeconomic adjustment of the PD has been carried out as described above to reflect forward-looking information

LGD is an estimate of the loss arising on default. The Group estimates the LGD based on the difference between contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status).

LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted using the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.4 Measurement of ECL (continued)

The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period.

For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce, in the normal day-to-day management, the contractual right to cancel these financial instruments.

This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an significant increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

38.1.5 Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics such as instrument type, credit risk grade, utilisation band and collateral type. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

38.1.6 Credit quality

Credit risk concentrations

An analysis of the Group's credit risk concentrations per class of financial asset, subject to impairment, is provided in the following tables. The amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

Concentration by sector	**2023 AED '000**	**2022 AED '000**
Balances with Central Bank		
Central bank	1,384,318	2,632,565
Deposits and balances due from banks		
Other banks	715,409	465,597
Loans and advances to customers		
Retail lending		
Mortgages	626,772	727,343
Unsecured lending	471,501	429,151
	1,098,273	1,156,494
Wholesale lending		
Real estate	2,866,291	3,261,428
Construction	705,676	608,489
Trade	1,627,902	1,680,744
Manufacturing	1,156,696	1,062,711
Transport, storage and communication	206,907	204,867
Gas, electricity and water	1,024,884	743,291
Government	844,212	1,077,938
Non-Banking Financial Institutions	391,129	86,235
Other	2,400,357	3,137,684
	11,224,054	11,863,387
Islamic financing and investing assets		
Wholesale lending		
Real estate	241,068	173,816
Construction	71,940	65,605
Trade	14,972	9,371
Manufacturing	74,310	32,973
Non-Banking Financial Institutions	38,235	38,814
Other	632,026	220,969
	1,072,551	541,548
Receivables and other assets		
Construction	93,090	72,738
Trade	62,077	1,597,134
Manufacturing	231,741	219,176
Other	273,500	225,702
	660,408	2,114,750
Investment securities measured at amortised cost		
Sovereign governments	2,055,860	1,995,044
Financial Institutions and other	636,585	98,958
	2,692,445	2,094,002
Loan commitments, letters of credit and financial guarantee contracts		
Retail lending	226,323	168,886
Real estate	274,838	237,807
Construction	3,036,336	2,725,345
Trade	666,845	344,679
Manufacturing	542,883	448,003
Transport, storage and communication	15,217	24,766
Gas, electricity and water	31,080	30,284
Financial Institutions and Non-Banking Financial Institutions	121,334	151,273
Other	482,653	283,596
	5,397,509	4,414,639
	24,244,967	25,282,982

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

Concentration by region

	2023 AED '000	2022 AED '000
The UAE	20,964,082	21,581,811
The GCC	1,354,925	1,415,130
Other Arab countries	666,168	662,710
Europe	59,849	102,623
The USA	223,588	26,037
Asia	827,508	1,274,443
Other	148,847	220,228
	24,244,967	25,282,982

Credit risk exposure per class of financial asset, internal rating and stage

An analysis of the Group's credit risk exposure per class of financial asset (subject to impairment), internal rating and stage without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. These amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

- **Balances with Central Bank**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	1,384,318	-	-	-	1,384,318
Gross carrying amounts	1,384,318	-	-	-	1,384,318
ECL allowance	-	-	-	-	-
Carrying amount	1,384,318	-	-	-	1,384,318
31 December 2022					
Low to fair risk	2,632,565	-	-	-	2,632,565
Gross carrying amounts	2,632,565	-	-	-	2,632,565
ECL allowance	-	-	-	-	-
Carrying amount	2,632,565	-	-	-	2,632,565

- **Deposits and balances due from banks**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	434,075	-	-	-	434,075
Standard monitoring	281,334	-	-	-	281,334
Watch	-	-	-	-	-
Gross carrying amounts	715,409	-	-	-	715,409
ECL allowance	(8,401)	-	-	-	(8,401)
Carrying amount	707,008	-	-	-	707,008

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Deposits and balances due from banks** (continued)

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	16,935	-	-	-	16,935
Standard monitoring	448,652	-	-	-	448,652
Watch	10	-	-	-	10
Gross carrying amounts	465,597	-	-	-	465,597
ECL allowance	(7,149)	-	-	-	(7,149)
Carrying amount	458,448	-	-	-	458,448

- **Loans and advances to customers - retail lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	948,792	-	-	-	948,792
Standard monitoring	51,092	-	-	-	51,092
Watch	-	41,595	-	-	41,595
Substandard	-	-	4,693	-	4,693
Doubtful	-	-	2,239	-	2,239
Impaired	-	-	49,862	-	49,862
Gross carrying amounts	999,884	41,595	56,794	-	1,098,273
ECL allowance	(7,750)	(9,720)	(12,565)	-	(30,035)
Carrying amount	992,134	31,875	44,229	-	1,068,238
31 December 2022					
Low to fair risk	972,882	-	-	-	972,882
Standard monitoring	37,218	-	-	-	37,218
Watch	-	51,236	-	-	51,236
Substandard	-	-	4,203	-	4,203
Doubtful	-	-	8,173	-	8,173
Impaired	-	-	82,782	-	82,782
Gross carrying amounts	1,010,100	51,236	95,158	-	1,156,494
ECL allowance	(6,595)	(7,436)	(20,782)	-	(34,813)
Carrying amount	1,003,505	43,800	74,376	-	1,121,681

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loans and advances to customers - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	4,262,219	-	-	-	4,262,219
Standard monitoring	3,109,997	-	-	-	3,109,997
Watch	-	1,690,144	-	-	1,690,144
Substandard	-	-	97,942	-	97,942
Impaired	-	-	2,063,752	-	2,063,752
Gross carrying amounts	7,372,216	1,690,144	2,161,694	-	11,224,054
ECL allowance	(37,391)	(191,705)	(482,371)	-	(711,467)
Carrying amount	7,334,825	1,498,439	1,679,323	-	10,512,587
31 December 2022					
Low to fair risk	4,133,662	-	-	-	4,133,662
Standard monitoring	4,142,513	-	-	-	4,142,513
Watch	-	1,599,543	-	-	1,599,543
Substandard	-	-	507,190	-	507,190
Doubtful	-	-	59,012	-	59,012
Impaired	-	-	1,421,467	-	1,421,467
Gross carrying amounts	8,276,175	1,599,543	1,987,669	-	11,863,387
ECL allowance	(60,122)	(148,015)	(366,498)	-	(574,635)
Carrying amount	8,216,053	1,451,528	1,621,171	-	11,288,752

- **Islamic financing and investing assets - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	515,591	-	-	-	515,591
Standard monitoring	356,964	-	-	-	356,964
Impaired	-	-	199,996	-	199,996
Gross carrying amounts	872,555	-	199,996	-	1,072,551
ECL allowance	(1,434)	-	(43,503)	-	(44,937)
Carrying amount	871,121	-	156,493	-	1,027,614
31 December 2022					
Low to fair risk	276,229	-	-	-	276,229
Standard monitoring	78,822	-	-	-	78,822
Substandard	-	-	149,601	-	149,601
Doubtful	-	-	36,896	-	36,896
Gross carrying amounts	355,051	-	186,497	-	541,548
ECL allowance	(1,097)	-	(26,752)	-	(27,849)
Carrying amount	353,954	-	159,745	-	513,699

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Receivables and other assets**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	72,446	-	-	-	72,446
Standard monitoring	366,304	-	-	-	366,304
Watch	-	58,784	-	-	58,784
Substandard	-	-	162,874	-	162,874
Gross carrying amounts	438,750	58,784	162,874	-	660,408
ECL allowance	(3,324)	(1,798)	-	-	(5,122)
Carrying amount	435,426	56,986	162,874	-	655,286
31 December 2022					
Low to fair risk	1,072,338	-	-	-	1,072,338
Standard monitoring	822,865	-	-	-	822,865
Watch	-	56,518	-	-	56,518
Doubtful	-	-	163,029	-	163,029
Gross carrying amounts	1,895,203	56,518	163,029	-	2,114,750
ECL allowance	(3,225)	(1,299)	-	-	(4,524)
Carrying amount	1,891,978	55,219	163,029	-	2,110,226

- **Investment securities measured at amortised cost**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	1,353,172	-	-	-	1,353,172
Standard monitoring	1,339,273	-	-	-	1,339,273
Gross carrying amounts	2,692,445	-	-	-	2,692,445
ECL allowance	(15,444)	-	-	-	(15,444)
Carrying amount	2,677,001	-	-	-	2,677,001
31 December 2022					
Low to fair risk	1,163,554	-	-	-	1,163,554
Standard monitoring	930,448	-	-	-	930,448
Gross carrying amounts	2,094,002	-	-	-	2,094,002
ECL allowance	(11,025)	-	-	-	(11,025)
Carrying amount	2,082,977	-	-	-	2,082,977

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loan commitments, letters of credit and financial guarantee contracts**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2023					
Low to fair risk	2,645,904	-	-	-	2,645,904
Standard monitoring	2,253,995	-	-	-	2,253,995
Watch	-	320,139	-	-	320,139
Substandard	-	-	1,079	-	1,079
Doubtful	-	-	186	-	186
Impaired	-	-	176,206	-	176,206
Gross carrying amounts	4,899,899	320,139	177,471	-	5,397,509
ECL allowance	(12,317)	(6,642)	(18,221)	-	(37,180)
Net exposure	4,887,582	313,497	159,250	-	5,360,329
31 December 2022					
Low to fair risk	2,231,072	-	-	-	2,231,072
Standard monitoring	1,588,220	-	-	-	1,588,220
Watch	-	327,044	-	-	327,044
Substandard	-	-	3,051	-	3,051
Doubtful	-	-	144,083	-	144,083
Impaired	-	-	121,169	-	121,169
Gross carrying amounts	3,819,292	327,044	268,303	-	4,414,639
ECL allowance	(11,242)	(7,053)	(20,220)	-	(38,525)
Net exposure	3,808,050	319,991	248,083	-	4,376,124

The carrying amounts of the Group's financial assets at fair value (not subject to impairment) as disclosed in note 38 best represents the assets' maximum exposure to credit risk.

Expected credit loss allowance

This table summarises the ECL allowance/impairment allowance at the end of reporting period by class of financial asset.

	2023 AED '000	2022 AED '000
Deposits and balances due from banks	8,401	7,149
Loans and advances to customers - retail lending	30,035	34,813
Loans and advances to customers - wholesale lending	711,467	574,635
Islamic financing and investing assets - wholesale lending	44,937	27,849
Receivables and other assets	5,122	4,524
Other financial assets measured at amortised cost	15,444	11,025
Contingencies and commitments	37,180	38,525
	852,586	698,520

38 Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

The tables below analyse the movement of the ECL allowance during the year per class of financial assets.

- **Deposits and balances due from banks**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2023	7,149	-	-	-	7,149
Change in credit risk	768	-	-	-	768
New financial assets recognized	484	-	-	-	484
As at 31 December 2023	8,401	-	-	-	8,401
As at 1 January 2022	1,143	-	-	-	1,143
Change in credit risk	213	-	-	-	213
New financial assets recognized	6,779	-	-	-	6,779
Financial assets derecognized	(986)	-	-	-	(986)
As at 31 December 2022	7,149	-	-	-	7,149

- **Loans and advances to customers - retail lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2023	6,595	7,436	20,782	-	34,813
Transfer to stage 1	2,593	(2,593)	-	-	-
Transfer to stage 2	(675)	1,806	(1,131)	-	-
Transfer to stage 3	(71)	(987)	1,058	-	-
Change in credit risk	(2,208)	4,707	4,353	-	6,852
Write-offs	(46)	(1,104)	(10,238)	-	(11,388)
New financial assets recognised	2,619	1,199	-	-	3,818
Financial assets derecognised	(1,057)	(744)	(2,259)	-	(4,060)
As at 31 December 2023	7,750	9,720	12,565	-	30,035
As at 1 January 2022	10,794	15,562	20,646	-	47,002
Transfer to stage 1	6,941	(6,883)	(58)	-	-
Transfer to stage 2	(545)	1,098	(553)	-	-
Transfer to stage 3	(170)	(2,953)	3,123	-	-
Change in credit risk	(9,241)	3,400	9,560	-	3,719
Write-offs	(245)	(3,250)	(3,916)	-	(7,411)
New financial assets recognised	1,446	1,660	-	-	3,106
Financial assets derecognised	(2,385)	(1,198)	(8,020)	-	(11,603)
As at 31 December 2022	6,595	7,436	20,782	-	34,813

During the year, the Board of Directors approved the write-off of certain loans and advances since the Group has no reasonable expectations of recovering these loans

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loans and advances to customers - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2023	60,122	148,015	366,498	-	574,635
Transfer to stage 2	(13,180)	13,180	-	-	-
Transfer to stage 3	-	(12,801)	12,801	-	-
Change in credit risk	(3,735)	44,120	103,289	-	143,674
Write-offs	-	-	-	-	-
New financial assets recognised	4,215	-	-	-	4,215
Financial assets derecognised	(10,031)	(809)	(217)	-	(11,057)
As at 31 December 2023	37,391	191,705	482,371	-	711,467
As at 1 January 2022	53,295	113,247	896,091	-	1,062,633
Transfer to stage 2	(2,422)	8,889	(6,467)	-	-
Transfer to stage 3	-	(27,483)	27,483	-	-
Change in credit risk	6,280	30,811	89,271	-	126,362
Write-offs	-	-	(636,351)	-	(636,351)
New financial assets recognised	23,725	29,288	-	-	53,013
Financial assets derecognised	(20,756)	(6,737)	(3,529)	-	(31,022)
As at 31 December 2022	60,122	148,015	366,498	-	574,635

- **Islamic financing and investing assets - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2023	1,097	-	26,752	-	27,849
Transfer to stage 3	-	-	-	-	-
Change in credit risk	(308)	-	16,751	-	16,443
New financial assets recognized	645	-	-	-	645
Financial assets derecognised	-	-	-	-	-
As at 31 December 2023	1,434	-	43,503	-	44,937
As at 1 January 2022	3,960	2,087	-	-	6,047
Transfer to stage 3	-	(1,658)	1,658	-	-
Change in credit risk	(1,943)	-	25,094	-	23,151
New financial assets recognized	830	-	-	-	830
Financial assets derecognised	(1,750)	(429)	-	-	(2,179)
As at 31 December 2022	1,097	-	26,752	-	27,849

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Receivables and other assets**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2023	3,225	1,299	-	-	4,524
Transfer to stage 2	(25)	25	-	-	-
Change in credit risk	(811)	474	-	-	(337)
New financial assets recognized	946	-	-	-	946
Financial assets derecognised	(11)	-	-	-	(11)
As at 31 December 2023	3,324	1,798	-	-	5,122
As at 1 January 2022	3,131	1,476	-	-	4,607
New financial assets recognized	3,226	1,299	-	-	4,525
Financial assets derecognised	(3,132)	(1,476)	-	-	(4,608)
As at 31 December 2022	3,225	1,299	-	-	4,524

- **Investment securities measured at amortised cost**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2023	11,025	-	-	-	11,025
Change in credit risk	1,079	-	-	-	1,079
New financial assets recognised	3,637	-	-	-	3,637
Financial assets derecognised	(297)	-	-	-	(297)
As at 31 December 2023	15,444	-	-	-	15,444
As at 1 January 2022	4,338	-	-	-	4,338
New financial assets recognised	11,025	-	-	-	11,025
Financial assets derecognised	(4,338)	-	-	-	(4,338)
As at 31 December 2022	11,025	-	-	-	11,025

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loan commitments, letters of credit and financial guarantee contracts**

	Stage 1 12 months ECL AED '000	**Stage 2 Life time ECL AED '000**	**Stage 3 Life time ECL AED '000**	**POCI Life time ECL AED '000**	**Total AED '000**
As at 1 January 2023	11,242	7,053	20,220	-	38,515
Transfer to stage 1	13	(13)	-	-	-
Transfer to stage 2	(1,248)	1,437	(189)	-	-
Transfer to stage 3	(1)	(180)	181	-	-
Change in credit risk	749	(1,643)	(1,958)	-	(2,852)
New financial guarantees and commitments recognised	1,906	66	-	-	1,972
Financial guarantees and commitments derecognized	(344)	(78)	(33)	-	(455)
As at 31 December 2023	12,317	6,642	18,221	-	37,180
As at 1 January 2022	12,426	9,781	9,657	-	31,864
Transfer to stage 1	502	(499)	(3)	-	-
Transfer to stage 2	(1,054)	1,092	(38)	-	-
Transfer to stage 3	(1)	(3,504)	3,505	-	-
Change in credit risk	(1,513)	2,355	13,905	-	14,747
New financial guarantees and commitments recognised	4,852	725	-	-	5,577
Financial guarantees and commitments derecognized	(3,960)	(2,897)	(6,806)	-	(13,663)
As at 31 December 2022	11,252	7,053	20,220	-	38,525

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided in the table below:

- **Balances with the Central Bank**

	Stage 1 AED '000	**Stage 2 AED '000**	**Stage 3 AED '000**	**POCI AED '000**	**Total AED '000**
As at 1 January 2023	2,632,565	-	-	-	2,632,565
Change in exposure	(1,248,247)	-	-	-	(1,248,247)
As at 31 December 2023	1,384,318	-	-	-	1,384,318
As at 1 January 2022	2,403,425	-	-	-	2,403,425
Change in exposure	229,140	-	-	-	229,140
As at 31 December 2022	2,632,565	-	-	-	2,632,565

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Deposits and balances due from banks**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2023	465,597	-	-	-	465,597
Change in exposure	65,478	-	-	-	65,478
New financial assets recognized	184,334	-	-	-	184,334
As at 31 December 2023	715,409	-	-	-	715,409
As at 1 January 2022	98,985	-	-	-	98,985
Change in exposure	(38,867)	-	-	-	(38,867)
New financial assets recognized	405,479	-	-	-	405,479
As at 31 December 2022	465,597	-	-	-	465,597

- **Loans and advances to customers - retail lending**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2023	1,010,100	51,236	95,158	-	1,156,494
Transfer to stage 1	30,346	(30,346)	-	-	-
Transfer to stage 2	(26,065)	30,620	(4,555)	-	-
Transfer to stage 3	(4,666)	(3,536)	8,202	-	-
Change in exposure	(66,124)	(3,954)	(4,878)	-	(74,956)
Write-offs	(2,254)	(4,963)	(31,178)	-	(38,395)
New financial assets recognised	304,583	7,450	-	-	312,033
Financial assets derecognised	(246,036)	(4,912)	(5,955)	-	(256,903)
As at 31 December 2023	999,884	41,595	56,794	-	1,098,273
As at 1 January 2022	1,060,890	98,626	107,652	-	1,267,168
Transfer to stage 1	62,244	(62,155)	(89)	-	-
Transfer to stage 2	(26,841)	30,282	(3,441)	-	-
Transfer to stage 3	(6,278)	(8,560)	14,838	-	-
Change in exposure	(75,863)	(5,011)	5,148	-	(75,726)
Write-offs	(7,282)	(8,960)	(17,420)	-	(33,662)
New financial assets recognised	211,733	16,467	-	-	228,200
Financial assets derecognised	(208,503)	(9,453)	(11,530)	-	(229,486)
As at 31 December 2022	1,010,100	51,236	95,158	-	1,156,494

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loans and advances to customers - wholesale lending**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2023	8,276,175	1,599,543	1,987,669	-	11,863,387
Transfer to stage 1	70,679	(70,679)	-	-	-
Transfer to stage 2	(610,879)	610,879	-	-	-
Transfer to stage 3	-	(137,995)	137,995	-	-
Change in exposure	(364,408)	(302,240)	36,030	-	(630,618)
Write-offs	-	-	-	-	-
New financial assets recognised	1,119,213	-	-	-	1,119,213
Financial assets derecognised	(1,118,564)	(9,364)	-	-	(1,127,928)
As at 31 December 2023	7,372,216	1,690,144	2,161,694	-	11,224,054
As at 1 January 2022	6,920,426	1,986,748	2,092,640	-	10,999,814
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(207,291)	273,113	(65,822)	-	-
Transfer to stage 3	-	(644,500)	644,500	-	-
Change in exposure	(728,469)	(49,661)	51,582	-	(726,548)
Write-offs	-	-	(701,777)	-	(701,777)
New financial assets recognised	3,405,271	235,426	-	-	3,640,697
Financial assets derecognised	(1,113,762)	(201,583)	(33,454)	-	(1,348,799)
As at 31 December 2022	8,276,175	1,599,543	1,987,669	-	11,863,387

- **Islamic financing and investing assets - wholesale lending**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2023	355,051	-	186,497	-	541,548
Transfer to stage 3	-	-	-	-	-
Change in exposure	(2,838)	-	13,499	-	10,661
New financial assets recognized	694,159	-	-	-	694,159
Financial assets derecognised	(173,817)	-	-	-	(173,817)
As at 31 December 2023	872,555	-	199,996	-	1,072,551
As at 1 January 2022	436,169	191,301	-	-	627,470
Transfer to stage 3	-	(38,936)	38,936	-	-
Change in exposure	(1,125)	-	147,561	-	146,436
New financial assets recognized	92,196	-	-	-	92,196
Financial assets derecognised	(172,189)	(152,365)	-	-	(324,554)
As at 31 December 2022	355,051	-	186,497	-	541,548

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Receivables and other assets**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2023	1,895,205	56,516	163,029	-	2,114,750
Transfer to stage 1	4,315	(4,315)	-	-	-
Transfer to stage 2	(1,823)	1,823	-	-	-
Change in exposure	39,195	4,760	(155)	-	43,800
New financial assets recognized	68,488	-	-	-	68,488
Financial assets derecognized	(1,566,630)	-	-	-	(1,566,630)
As at 31 December 2023	438,750	58,784	162,874	-	660,408
As at 1 January 2022	3,193,934	44,549	-	-	3,238,483
Transfer to stage 3	(163,029)	-	163,029	-	-
Change in exposure	14,851	-	-	-	14,851
New financial assets recognized	1,814,448	56,518	-	-	1,870,966
Financial assets derecognized	(2,964,999)	(44,551)	-	-	(3,009,550)
As at 31 December 2022	1,895,205	56,516	163,029	-	2,114,750

- **Investment securities measured at amortised cost**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2023	2,094,002	-	-	-	2,094,002
Change in exposure	(5,070)	-	-	-	(5,070)
New financial assets recognised	888,823	-	-	-	888,823
Financial assets derecognised	(285,310)	-	-	-	(285,310)
As at 31 December 2023	2,692,445	-	-	-	2,692,445
As at 1 January 2022	2,237,969	-	-	-	2,237,969
New financial assets recognised	2,094,002	-	-	-	2,094,002
Financial assets derecognised	(2,237,969)	-	-	-	(2,237,969)
As at 31 December 2022	2,094,002	-	-	-	2,094,002

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loan commitments, letters of credit and financial guarantee contracts**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2023	3,819,292	327,044	268,303	-	4,414,639
Transfer to stage 1	94,785	(94,785)	-	-	-
Transfer to stage 2	(234,687)	236,359	(1,672)	-	-
Transfer to stage 3	(124)	(3,814)	3,938	-	-
Change in exposure	672,634	(140,954)	(90,778)	-	440,902
New financial guarantees and commitments recognised	788,669	2,183	-	-	790,852
Financial guarantees and commitments derecognised	(240,670)	(5,894)	(2,320)	-	(248,884)
As at 31 December 2023	4,899,899	320,139	177,471	-	5,397,509
As at 1 January 2022	3,670,647	370,165	127,737	-	4,168,549
Transfer to stage 1	12,530	(12,505)	(25)	-	-
Transfer to stage 2	(151,059)	155,112	(4,053)	-	-
Transfer to stage 3	(397)	(145,292)	145,689	-	-
Change in exposure	(182,067)	9,000	(61)	-	(173,128)
New financial guarantees and commitments recognised	1,681,809	68,255	-	-	1,750,064
Financial guarantees and commitments derecognised	(1,212,171)	(117,691)	(984)	-	(1,330,846)
As at 31 December 2022	3,819,292	327,044	268,303	-	4,414,639

As discussed above in the significant increase in credit risk section, under the Group's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans and advances to customers and Islamic financing and investing assets and more specifically for retail lending exposures because for wholesale lending and other exposures there is more borrower specific information available which is used to identify significant increase in credit risk. The table below provides an analysis of the gross carrying amount of loans and advances to customers and Islamic financing and investing assets by risk grade and past due status.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Past due but not impaired**

	Loans and advances to customers		Islamic financing and investing assets	
	2023 AED '000	**2022 AED '000**	**2023 AED '000**	**2022 AED '000**
Low to fair risk				
Past due up to 30 days	194,664	53,766	-	-
Standard monitoring				
Past due up to 30 days	185,757	237,689	-	-
Past due 31 - 60 days	-	-	-	-
Watch				
Past due up to 30 days	274,584	157,230	-	-
Past due 31 - 60 days	10,514	15,894	-	-
Past due 61 - 90 days	191,608	71,901	-	-
Past due 91 - 180 days	-	-	-	-
Past due of more than 180 days	-	-	-	-
	857,127	536,480	-	-

- **Neither past due nor impaired**

	Loans and advances to customers		Islamic financing and investing assets	
	2023 AED '000	**2022 AED '000**	**2023 AED '000**	**2022 AED '000**
Low to fair risk	5,016,494	5,052,779	515,441	276,230
Standard monitoring	2,975,332	3,942,044	356,964	78,822
Watch	1,255,036	1,405,750	-	-
	9,246,862	10,400,573	872,405	355,052

38.1.7 Identification of SICR event

As explained in note 38.1.2, if there is a significant increase in credit risk since initial recognition, the Group measures the loss allowance based on lifetime rather than 12-month ECL i.e. financial assets are migrated from stage 1 to stage 2. A SICR event occurs when there has been a significant increase in the risk of a default occurring, over the expected life of a financial instrument. The Group continuously reviews its portfolio for other indicators of unlikeliness to meet its financial obligations, any financial deterioration beyond temporary liquidity stress and whether it is likely to be short term or longer term.

Reasonableness of forward-looking Information and probability weights

As explained in note 38.1.3, through robust modelling technique, the Group has identified key macroeconomic variables influencing credit risk of each portfolio. Forecasts for these economic variables (upside, baseline and downside economic scenario) are sourced from Moody's Data buffet, which reflect the current and forecasted economic impacts in the fallout of Geopolitical situations etc.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.8 Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Group holds financial instruments of AED 4,158 million (2022: AED 5,147 million) for which no loss allowance is recognised because of collateral at the end of the reporting period. The estimated value of collaterals held at end of the reporting period is AED 8,625 million (2022: AED 10,468 million). This value of the collateral is only considered to the extent that mitigates the credit risk. There was no change in the Group's collateral policy during the year. The main types of collateral and the types of assets these are associated with are listed below.

Derivatives

The Group enters into derivatives bilaterally under International Swaps and Derivative Association (ISDA) master netting agreements. ISDA master netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. No financial instruments subject to master netting agreements are setoff in statement of consolidated financial position. The Group executes a credit support annex in conjunction with each ISDA agreement, which requires the Group and each counterparty to post collateral to mitigate credit risk. Collateral is also posted daily in respect of derivatives transacted. The collateral posted with regards to open derivatives is cash or marketable securities.

Reverse sale and repurchase agreements (Reverse REPO)

Reverse sale and repurchase agreement (Reverse REPO) lending are collateralised by marketable securities. These lending agreements require the Group and each counterparty to post collateral to mitigate credit risk. Collateral is also posted daily in respect of shortfall in value of collaterals. The collateral posted with regards to Reverse REPO is cash or marketable securities.

Mortgage lending

The Group holds residential properties as collateral for the mortgage loans it grants to its customers. The Group monitors its exposure to retail mortgage lending using the LTV ratio, which is calculated as the ratio of the gross amount of the loan, or the amount committed for loan commitments, to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. At 31 December 2023 the net carrying amount of credit impaired mortgage lending was AED 39.1 million (2022: AED 60.1 million) and the value of the respective collateral was AED 44.8 million (2022: AED 63.2 million).

Personal lending

The Group's personal lending portfolio consists of unsecured loans and credit cards.

Wholesale lending

The Group requests collateral (including properties, equity shares and cash margins) and guarantees for wholesale lending (including loan commitments and financial guarantee contract). The most relevant indicator of wholesale customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason, the valuation of collateral held against wholesale lending is not routinely updated. The valuation of such collateral is updated if the loan is put on "watch-list" and is therefore monitored more closely.

For credit-impaired loans the Group obtains appraisals of collateral to inform its credit risk management actions. At 31 December 2023 the net carrying amount of credit impaired loans and advances and Islamic financing and investing assets to wholesale customers was AED 1,568 million (2022: AED 1,494 million) and the value of the respective collateral was AED 2,051 million (2022: AED 1,893 million). This value of the collateral is only considered to the extent that mitigates the credit risk.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.8 Collateral held as security and other credit enhancements (continued)

Investment securities

The Group holds investment securities measured at amortised cost. The investment securities held by the Group are sovereign securities which are not collateralised.

Assets obtained by taking possession of collateral

The Group obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

	2023 AED '000	2022 AED '000
Property	8,166	68,721

38.2 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events.

38.2.1 Management of liquidity risk

Liquidity risk is managed by the Treasury in line with the regulatory and internal policies and guidelines.

The Group's approach to managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times and that it can withstand any major shocks to its liquidity position. Funds are raised using a broad range of instruments including customer deposits, money market instruments and capital. The Treasury monitor the liquidity profile of financial assets and liabilities and the projected cash flows arising from existing and future business. Treasury maintains a portfolio of short-term liquid assets and inter-bank placements to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and abnormal market conditions. The Group's liquidity policy is set by the Board of Directors and is subject to annual review. Adherence to the policies is monitored by the Group's Risk Management Department and Assets and Liability Committee (ALCO).

38.2.2 Exposure to liquidity risk

The key measures used by the Group for measuring liquidity risk are advances to stable resources (which is a regulatory measure) as well as the ratio of net liquid assets, i.e., total assets by maturity against total liabilities by maturity.

The Bank performs product-wise behavioural analysis for its financial instruments (including financial guarantee contracts) in order to analyse and ascertain appropriate level of liquidity requirements.

The following table summarises the maturity profile of the cash flows of the Bank's financial assets and financial liabilities at the end of the reporting period based on their carrying amounts. The amounts disclosed in the table are determined on the basis of their earliest possible contractual maturity.

38. Financial risk management (continued)

38.2 Liquidity risk (continued)

38.2.2 Exposure to liquidity risk (continued)

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the management expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

- **As at 31 December 2023**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	No fixed maturity AED '000	Total AED '000
Non-derivative financial assets						
Cash and balances with the Central Bank	1,384,318	-	-	-	-	1,384,318
Deposits and balances due from banks	88,167	239,629	200,017	179,195	-	707,008
Loans and advances to customers including Islamic financing and investing assets	1,777,230	218,280	502,945	7,146,861	2,963,123	12,608,439
Receivables and other assets	417,875	124,897	181,983	24,932	-	749,687
Investment securities at fair value	-	-	-	-	137,024	137,024
Investment securities measured at amortised cost	-	295,714	134,190	2,247,097	-	2,677,001
	3,667,590	878,520	1,019,135	9,598,085	3,100,147	18,263,477
Derivative financial assets	2	-	100	2,531	-	2,633
	3,667,592	878,520	1,019,235	9,600,616	3,100,147	18,266,110
Non-derivative financial liabilities						
Balance due to the Central Bank	1,783	-	-	-	-	1,783
Deposits and balances due to banks	1,873,094	95,000	412,550	367,280	-	2,747,924
Customers' deposits including Islamic customers' deposits	5,836,100	1,353,776	2,801,216	277,936	2,388,862	12,657,890
Payables and other liabilities	423,403	124,897	83,057	103,034	-	734,391
	8,134,380	1,573,673	3,296,823	748,250	2,388,862	16,141,988
Derivative financial liabilities	1,064			7,004		8,068
Issued financial guarantee contacts	2,307,939	405,449	175,438	128,182	-	3,017,008
Loan commitments	971,684	252,574	426,085	730,158	-	2,380,501
	11,415,067	2,231,696	3,898,346	1,613,594	2,388,862	21,547,565
Liquidity gap	(7,747,475)	(1,353,176)	(2,879,111)	7,987,022	711,284	(3,281,456)

38. Financial risk management (continued)

38.2 Liquidity risk (continued)

38.2.2 Exposure to liquidity risk (continued)

- **As at 31 December 2022**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	No fixed maturity AED '000	Total AED '000
Non-derivative financial assets						
Cash and balances with the Central Bank	2,632,565	-	-	-	-	2,632,565
Deposits and balances due from banks	61,614	145,843	250,991	-	-	458,448
Loans and advances to customers including Islamic financing and investing assets	976,500	220,737	482,182	8,412,412	2,832,301	12,924,132
Receivables and other assets	867,872	525,320	794,506	610,106	-	2,797,804
Investment securities at fair value	-	-	-	-	264,009	264,009
Investment securities measured at amortised cost	49,802	148,300	87,209	1,797,666	-	2,082,977
	4,588,353	1,040,200	1,614,888	10,820,184	3,096,310	21,159,935
Derivative financial assets	-	77	-	6,527	-	6,604
	4,588,353	1,040,277	1,614,888	10,826,711	3,096,310	21,166,539
Non-derivative financial liabilities						
Balance due to the Central Bank	1,748	-	-	-	-	1,748
Deposits and balances due to banks	2,587,282	146,903	321,288	959,058	-	4,014,531
Customers' deposits including Islamic customers' deposits	4,565,416	1,677,464	2,918,364	483,516	2,555,065	12,199,825
Payables and other liabilities	873,400	554,337	813,152	4,829	-	2,245,718
	8,027,846	2,378,704	4,052,804	1,447,403	2,555,065	18,461,822
Derivative financial liabilities	73	19	77	5,915	-	6,084
Issued financial guarantee contacts	2,168,076	394,928	308,170	67,085	-	2,938,259
Loan commitments	547,576	158,965	229,299	540,542	-	1,476,382
	10,743,571	2,932,616	4,590,350	2,060,945	2,555,065	22,882,547
Liquidity gap	(6,155,218)	(1,892,339)	(2,975,462)	8,765,766	541,245	(1,716,008)

38. Financial risk management (continued)

38.3 Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income and/or the value of the financial instrument. The Group manages its market risk in order to achieve an optimum return while maintaining market risk exposure within prudent limits.

38.3.1 Management of market risk

The Board of Directors has set risk limits based on sensitivity analysis and notional limits which are closely monitored by the Risk Management Department, reported frequently to Senior Management and discussed monthly by the ALCO.

The Group separates its exposure to market risk between trading and non-trading portfolios with overall responsibility vested in the ALCO. The Risk Management Department is responsible for the development of detailed risk management policies and for the day to day review of their implementation subject to the review and approval by the ALCO.

38.3.2 Exposure to interest rate risk

The principal risk to which interest bearing financial instruments are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The Group manages the risk principally through monitoring interest rate gaps, matching the re-pricing profile of assets and liabilities. The ALCO monitors compliance with these limits and is assisted by the Risk Management Department for day to day monitoring of activities. The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

- **As at 31 December 2023**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	Total AED '000
Interest sensitive financial assets					
Cash and balances with the Central Bank	1,000,000	-	-	-	1,000,000
Deposits and balances due from banks	715,410	-	-	-	715,410
Loans and advances to customers including Islamic financing and investing assets	8,639,678	507,420	534,964	3,712,812	13,394,874
Investment securities measured at amortised cost	-	295,712	134,191	2,262,542	2,692,445
	10,355,088	803,132	669,155	5,975,354	17,802,729
Interest sensitive financial liabilities					
Deposits and balances due to banks	1,874,877	95,000	412,550	367,280	2,749,707
Customers' deposits including Islamic customers' deposits	7,850,302	1,088,295	2,239,458	1,479,559	12,657,614
	9,725,179	1,183,295	2,652,008	1,846,839	15,407,321
Commitments	194,337	50,515	85,217	161,548	491,617
Effect of derivatives held	(1,063)	-	100	(4,472)	(5,435)
Net interest gap	434,509	(430,678)	(2,067,970)	3,962,495	1,898,356
Impact on profit and loss if interest rates had been 200 bps higher	767	(5,428)	(11,439)	69,761	53,661

38. **Financial risk management** (continued)

38.3 **Market risk** (continued)

38.3.2 **Exposure to interest rate risk** (continued)

- **As at 31 December 2022**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	Total AED '000
Interest sensitive financial assets					
Cash and balances with the Central Bank	2,350,000	-	-	-	2,350,000
Deposits and balances due from banks	(1,477)	147,319	258,143	-	403,985
Loans and advances to customers including Islamic financing and investing assets	7,457,298	1,184,039	-	4,920,088	13,561,425
Investment securities measured at amortised cost	49,802	148,300	87,209	1,808,691	2,094,002
	9,855,623	1,479,658	345,352	6,728,779	18,409,412
Interest sensitive financial liabilities					
Deposits and balances due to banks	2,589,030	146,904	321,288	959,058	4,016,280
Customers' deposits including Islamic customers' deposits	5,533,801	1,636,640	2,893,907	2,185,489	12,249,837
	8,122,831	1,783,544	3,215,195	3,144,547	16,266,117
Effect of derivatives held	(516)	-	-	-	(516)
Net interest gap	1,733,308	(303,886)	(2,869,843)	3,584,232	2,143,811
Impact on profit and loss if interest rates had been 200 bps higher	23,654	(3,826)	(14,939)	163,158	168,047

LIBOR transition

The Group is actively preparing for the transition to Alternative Reference Rates (ARR) under the supervision of a cross-functional working committee, which includes relevant business units. the Group's transition program has commenced and will be running until the final publication date of LIBOR on 30 June 2023.

38.3.3 **Exposure to currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the AED. The Board of Directors has set limits on positions by currency. Positions are closely monitored to ensure positions are maintained within established limits. At the end of the reporting period, the Group had the following significant net exposure denominated in foreign currencies:

	Net spot position		Forward position		Total	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Currency						
USD	2,466,355	439,943	(238,927)	453,419	2,227,428	893,362
GBP	(2,288)	75	2,338	-	50	75
JPY	120	199	-	-	120	199
EUR	1,993	1,116	(405)	(588)	1,588	528
BHD	277,340	277,805	73	-	277,413	277,805
Other	627	1,145	147	(146)	774	999

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% adverse change in the relevant foreign currency position against AED both for a long and short position in order to assess the impact of loss on profit and loss.

38. Financial risk management (continued)

38.3 Market risk (continued)

38.3.3 Exposure to currency risk (continued)

	2023 AED '000	2022 AED '000
GBP	5	8
JPY	12	20
EUR	159	53
BHD	27,471	27,781

There are no exchange rate risks relating to financial assets and financial liabilities denominated in USD, which is pegged to the AED.

38.3.4 Other price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, profit or loss and other comprehensive income for the year would have been higher/lower by AED 15 million higher/lower (2022: AED 13.2 million higher/lower).

39. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and financial liabilities.

39.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The fair value of financial assets and financial liabilities are determined as follows:

- Fair value of all quoted investments measured at fair value through profit or loss and at fair value through other comprehensive income (note 12) are based on quoted bid prices in an active market;
- Fair value of all unquoted equity investments and unquoted investment funds measured at fair value through other comprehensive income (note 12) is mainly based on market approach based valuation technique using price/book value multiple of trading peers and precedent transactions. These price/book values multiples and precedent transactions are unobservable inputs. Fair value of investment in MURJAN is calculated by taking proportionate share of the fair value of its assets (real estate) and liabilities; and
- Fair value of all derivatives (note 40 is calculated using discounted cash flows. Discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Derivatives are measured using quoted rates and yield curves derived from quoted rates matching maturities of the contracts.

39. Fair value of financial instruments (continued)

39.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The table below summarises the Group's financial instruments fair value according to fair value hierarchy:

	Level 1		**Level 2**		**Level 3**	
	2023 AED '000	**2022 AED '000**	**2023 AED '000**	**2022 AED '000**	**2023 AED '000**	**2022 AED '000**
Financial assets at fair value through other comprehensive income						
Equity shares	29,656	26,959	-	-	15,562	17,373
Investment funds	-	-	-	-	1,408	1,406
Financial assets at fair value through profit or loss						
Equity shares	-	-	-	-	253,695	218,271
Positive fair value of derivatives financial assets	-	-	2,633	6,604	-	-
Financial liabilities at fair value through profit or loss						
Negative fair value of derivatives financial liabilities	-	-	8,068	6,084	-	-

For level 3 fair valuation measured using price/book value multiple, the higher the unobservable input of price/book value multiple, the higher is fair value.

The price/book value multiple used in valuation ranges between 0.85X to 1.00X (2022: 0.85X to 0.96X). For level 3 fair valuation of MURJAN measured using proportionate share of the fair value of its assets (real estate) and liabilities, the higher the net asset value, the higher is fair value.

There were no transfers between Level 1 and 2 during the years ended 2023 and 2022.

Reconciliation of Level 3 fair value measurements of financial assets

	2023 AED '000	**2022 AED '000**
Balance at January 1	237,050	241,676
Total gains in profit or loss	35,424	70,406
Total other comprehensive loss	(1,809)	(75,032)
Balance at December 31	270,665	237,050

The financial liabilities subsequently measured at fair value are classified as level 2 in the fair value hierarchy. There are no financial liabilities classified at fair value as level 3 in the fair value hierarchy.

All gains and losses included in other comprehensive income relate to FVTOCI (quoted investments or unquoted investments) held at the end of the period and are reported as changes in 'Investment revaluation reserve'.

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39. Fair value of financial instruments (continued)

39.2 Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

Except as detailed below, the Board of Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	Carrying amount		Fair value	
	2023 AED '000	2022 AED '000	2023 AED '000	2022 AED '000
Investment securities measured at amortised cost	2,677,001	2,082,977	2,660,320	2,080,578

Investment securities measured at amortised cost are quoted instruments and categorised as level 1 in the fair value hierarchy. The fair value is determined using unadjusted quoted market prices.

40. Derivative financial instruments

Derivative financial instruments are utilised by the Group primarily to satisfy the requirements of its customers and are also used to a limited extent to manage the Group's own exposure to currency, interest rate and other market risks. The derivatives most frequently used by the Group are as follows:

Swaps

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal. For currency swaps, fixed interest payments and principal are exchanged in different currencies. For cross-currency rate swaps, principal, fixed and floating interest payments are exchanged in different currencies.

Interest rate Caps and Floor

An interest rate cap is a type of interest rate derivative in which the buyer receives payments at the end of each period in which the interest rate exceeds a pre-agreed rate. Similarly, an interest rate floor is a derivative contract in which the buyer receives payments at the end of each period in which the interest rate is below the pre-agreed rate.

Foreign exchange forwards contracts

Foreign exchange forwards contracts are contractual agreements to either buy or sell a specified currency at a specified price and date in the future. Forwards are customised contracts transacted in the over-the counter market.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

40. Derivative financial instruments (continued)

	Foreign exchange forward contracts		Interest rate and currency swaps		Interest rate Caps and Floor		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Positive fair value	102	77	91	6,527	2,440	-	2,633	6,604
Negative fair value	146	91	5,482	5,993	2,440	-	8,068	6,084
Maturity of notional amounts								
Up to 3 months	756,919	453,540	39,540	-	-	-	796,459	453,540
3 to 6 months	-	6,712	-	36,730	-	-	-	43,442
6 to 12 months	183,525	-	-	-	-	-	183,525	-
1 to 5 years	-	-	207,280	466,581	-	-	207,280	466,581
More than 5 years	-	-	-	-	332,781	-	332,781	-
	940,444	460,252	246,820	503,311	332,781	-	1,520,045	963,563

41. Capital management

The Group's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements.

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and to increase returns for shareholders; and
- To comply with regulatory capital requirements set by the Central Bank of the UAE.

In implementing current capital requirements, the Group calculates its capital adequacy ratio in accordance with the Basel III guidelines issued by the Central Bank of the UAE. Under these regulations, minimum capital requirements are monitored at three levels, namely Common Equity Tier 1 ('CET1'), Tier 1 ('T1') and Total Capital.

41.1 Regulatory capital

The Bank calculates its Capital Adequacy Ratio in line with guidelines issued by the Central Bank of the UAE.

The Group's regulatory capital is analysed into different tiers:

- Common Equity Tier 1 Capital, which includes Common shares issued by a Bank, share premium resulting from the issue of instruments included in CET1, retained earnings, legal reserves, statutory reserves, accumulated other comprehensive income and other disclosed reserves, minority interest, which are eligible for inclusion in CET1 and regulatory adjustments applied in the calculation of CET1;
- Additional Tier 1 Capital (AT1);
- Tier 1 capital, which is the total of Common Equity Tier 1 (CET1) Capital and Additional Tier 1 (AT1) capital;
- Tier 2 capital, which includes general provisions (Collective allowance for impairment subject to a limit of 1.25% of credit 'Risk Weighted Assets' (RWA)), perpetual equity instruments not included in Tier 1 capital and Instruments which are eligible for inclusion of Tier 2 e.g. subordinated loan.

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

41. Capital management (continued)

41.1 Regulatory capital (continued)

For the purpose of Basel III capital adequacy reporting, only financial subsidiaries are consolidated. Commercial subsidiaries are excluded from consolidated reporting.

The Bank's RWA are weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Bank is following the standardised measurement approach for credit, market and operational risk, as per Basel Requirements.

The Group has complied with all externally imposed capital requirements throughout the period.

The Group's regulatory capital position at the end of reporting period under Basel III is as follows:

	2023 AED '000	2022 AED '000
Capital base		
Share capital	1,737,383	1,737,383
Statutory reserve	314,543	297,479
General reserve	-	31,471
Accumulated other comprehensive income	(58,072)	(58,954)
IFRS transitional arrangement: Partial addback of ECL impact to CET1	59,183	65,030
Accumulated losses	(105,245)	(292,484)
Non-controlling interests	-	313
CET1 capital (prior to regulatory deductions)	1,947,792	1,780,238
Intangible assets	(27,170)	(28,601)
Total CET1 capital	1,920,622	1,751,637
Additional Tier 1 (AT1) Capital	459,125	459,125
Total AT1 capital	459,125	459,125
Total Tier 1 Capital	2,379,747	2,210,762
Eligible general provision	196,756	190,063
Total Tier 2 (T2) Capital	196,756	190,063
Total capital base	2,576,503	2,400,825
Risk weighted assets		
Credit risk	15,740,443	15,205,002
Market risk	279,946	284,794
Operational risk	990,579	1,175,231
Total risk weighted assets	17,010,968	16,665,027
CET1 capital ratio	11.29%	10.51%
Tier 1 capital ratio	13.99%	13.27%
Total capital ratio	15.15%	14.41%

41.2 Capital allocation

The Group also assesses internally its capital requirements taking into consideration its growth requirements and business plans and quantifies its regulatory and risk/economic capital requirements within its integrated ICAAP Framework. Risks such as interest rate risk on the banking book, concentration risk, stress testing, strategic risk, legal and compliance risk, and reputational risk are all part of the ICAAP. The Group also calculates Risk Adjusted Return on Capital (RAROC) for credit applications that are priced on a risk-adjusted basis.

42. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. Transactions with associate and other related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

	Terms %	2023 AED '000	2022 AED '000
Balances at the end of the reporting period			
Subsidiaries			
Financial guarantee contract	**-**	5,009	5,009
Associate			
Loans and advances to customers	**-**	-	3,662
Key management personnel (including directors)			
Loans and advances to customers	**3.0 - 8.7**	22,762	20,918
Customers' deposits	**0.1 – 6.3**	19,825	6,794
Other related parties			
Deposits and balances due from banks	**0.0 -8.3**	204,107	165,434
Deposits and balances due to banks	**-**	74,370	76,596
Interest rate swaps (Notional amount)	**-**	-	36,750
Tier 1 Capital Securities	**6.5**	459,125	459,125
Key management personnel (including directors)			
Interest income		1,092	716
Interest expense		1,033	144
Directors' expenses		194	116
Compensation of key management personnel (i)		29,757	26,946

(i) These include long-term benefits amounting to AED 0.6 million (2022: AED 1.7 million) and termination benefits of Nil (2022: Nil).

43. Operating segments

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO in order to allocate resources to the segment and to assess its performance. The Group's reportable segments under IFRS 8 are therefore as follows:

- Wholesale banking;
- Retail banking;
- Treasury;
- Real estate;
- Other

43. Operating segments (continued)

The segmental information provided to the Group's CEO for the reportable segments for the years ended 31 December 2023 and 31 December 2022 were as follows:

	Wholesale banking AED '000	Retail banking AED '000	Treasury AED '000	Real estate AED '000	Other AED '000	Total AED '000
Year ended 31 December 2023						
Net interest income from external customers	268,993	(39,713)	128,092	(5,876)	3,747	355,243
Inter-segmental net interest income	(85,744)	97,632	(67,519)	-	55,631	-
Fee and commission income	114,240	15,352	1,459	2	1	131,054
Fee and commission expense	(724)	(16,539)	(1,208)	-	(43)	(18,514)
Other operating income, net	19,624	2,241	7,724	9,759	36,416	75,764
Impairment losses and provisions, net	(47,913)	(77)	(5,671)	29,847	-	(23,814)
General and administrative expenses excluding depreciation and amortization	(189,334)	(100,487)	(21,875)	(5,120)	-	(316,816)
Depreciation and amortization	(14,589)	(14,248)	(2,218)	(1,221)	-	(32,276)
Profit/(loss) for the period	64,553	(55,839)	38,784	27,391	95,752	170,641
As at 31 December 2023						
Assets	12,579,817	1,068,237	4,156,459	551,739	617,511	18,973,763
Liabilities	9,791,136	3,196,492	2,757,685	926	354,585	16,100,824

	Wholesale banking AED '000	Retail banking AED '000	Treasury AED '000	Real estate AED '000	Other AED '000	Total AED '000
Year ended 31 December 2022						
Net interest income from external customers	304,481	24,048	69,275	-	-	397,804
Inter-segmental net interest income	(58,149)	34,560	21,408	(6,841)	9,022	-
Fee and commission income	101,252	14,491	415	-	(35)	116,123
Fee and commission expense	(705)	(12,099)	(1,340)	-	(716)	(14,860)
Other operating income, net	11,829	2,075	5,528	3,848	80,462	103,742
Impairment losses and provisions, net	(132,503)	10,538	(5,036)	5,292	(2,887)	(124,596)
General and administrative expenses excluding depreciation and amortisation	(174,908)	(96,192)	(21,003)	(906)	-	(293,009)
Depreciation and amortisation	(15,565)	(14,272)	(2,537)	(2,360)	-	(34,734)
Profit/(loss) for the period	35,732	(36,851)	66,710	(967)	85,846	150,470
As at 31 December 2022						
Assets	14,424,866	1,121,681	4,820,692	189,775	609,525	21,166,539
Liabilities	11,473,448	2,606,565	4,022,363	1,341	364,189	18,467,906

44. Approval of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 were approved by the Board of Directors and authorised for issue on 15 January 2024.

Glossary of abbreviations

ACADL	Al Caribi Antigua Development Limited
ACDL	Al Caribi Development Limited
AED	United Arab Emirates Dirham
AKPI	Al Khaleejiah Property Investments LLC
ARZAQ	Arzaq Holdings (Private J.S.C.)
AT1	Additional Tier 1
Basel III	Basel III: International regulatory framework for banks
BVI	British Virgin Islands
CBI	Commercial Bank International PSC
CBUAE	the Central Bank of the UAE
CDs	Certificates of Deposit
CDS	Credit Default Swaps
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
ECL	Expected Credit Losses
EIR	Effective Interest Rate
EPS	Earnings Per Share
EUR	Euro
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GBP	British pound sterling
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IFB	International Financial Brokerage LLC
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IFRSs	International Financial Reporting Standards
JPY	Japanese yen
LGD	Loss Given Default
LLC	Limited Liability Company
MURJAN	Al Murjan Real Estate LLC
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
SCA	Securities and Commodities Authority of the UAE
SIC	Standard Interpretations Committee
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest on the principal amount outstanding
SPV	Special Purpose Vehicle
T2	Tier 2
the GCC	the Gulf Cooperation Council
the UAE	the United Arab Emirates
the USA	the United States of America
TRE	Takamul Real Estate LLC
USD	United States dollar

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