

**ABU DHABI ISLAMIC BANK PJSC**

**Reports and consolidated  
financial statements  
for the year ended 31 December 2023**

**These Audited Consolidated Financial Statements are subject to  
Central Bank of UAE Approval and adoption by Shareholders at the  
Annual General Meeting**

# **ABU DHABI ISLAMIC BANK PJSC**

## **Reports and consolidated financial statements for the year ended 31 December 2023**

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## Report of the Board of Directors for the year ended 31 December 2023

The Board of Directors have pleasure in submitting their report together with the consolidated financial statements of Abu Dhabi Islamic Bank PJSC (the “Bank”) and its subsidiaries (collectively known as the “Group”) for the year ended 31 December 2023.

### Incorporation and registered office

The Bank was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions and applicable requirements of the laws of the UAE and the Amiri Decree No. 9 of 1997.

### Principal activity

The activities of the Bank are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Internal Shari’a Supervisory Committee of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

### Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), general principles of the Shari’a as determined by the Group’s Internal Shari’a Supervisory Committee and applicable requirements of the laws of the UAE.

### Financial commentary

The Group net profit reached a record AED 5,251.3 million (2022: AED 3,619.0 million) for 2023 up by 45.1%. The financial highlights of the full year results are as follows:

- Group net revenue (total operating income net of distribution to depositors) for 2023 was AED 9,293.6 million (2022: AED 6,835.1 million) increased by 36.0%.
- Group operating profit (“margin”) for 2023 increased by 40.1% to reach at AED 6,232.4 million (2022: AED 4,448.4 million).
- Total provisions for impairment for 2023 were AED 760.3 million (2022: AED 768.9 million).
- Group net profit for 2023 was AED 5,251.3 million (2022: AED 3,619.0 million) up by 45.1%.
- Group earnings per share increased to AED 1.284 compared to AED 0.915 in 2022.
- Total assets as of 31 December 2023 were AED 192.8 billion (2022: AED 168.5 billion).
- Net customer financing (murabaha, ijara and other Islamic financing) as of 31 December 2023 was AED 115.0 billion (2022: AED 107.7 billion).
- Customer deposits as of 31 December 2023 were AED 157.1 billion (2022: AED 138.1 billion).

### Proposed appropriations

The Board of Directors has recommended the following appropriations from retained earnings:

	<i>AED ‘000</i>
• Transfer to legal reserves	(6,715)
• Transfer to general reserves	(455,728)
• Profit paid on Tier 1 sukuk – Listed (second issue) during the year	(196,250)
• Profit paid on Tier 1 sukuk – Government of Abu Dhabi during the year	(140,538)

**Report of the Board of Directors  
for the year ended 31 December 2023 (continued)**

**Board of Directors**

The directors during the year were as follows:

1.	H.E. Jawaan Awaidha Suhail Al Khaili	Chairman
2.	Faisal Sultan Naser Salem Al Shuaibi	Vice Chairman
3.	Khalifa Matar Al Mheiri	Board Member
4.	Najib Youssef Fayyad	Board Member
5.	Abdulla Ali Musleh Jumhour Al Ahbabi	Board Member
6.	Abdul Wahab Al Halabi	Board Member
7.	Maha Mohammed Al Qattan	Board Member



On behalf of the Board of Directors  
H.E. Jawaan Awaidha Suhail Al Khaili  
Chairman

23 January 2024  
Abu Dhabi

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated financial statements of Abu Dhabi Islamic Bank PJSC (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 material accounting policy information.

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 ('IFRS Accounting Standards').

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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' Code of Ethics for Professional Accountants (IESBA Code) together with the other 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 these requirements and 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)**

**Key Audit Matters (continued)**

<b>Impairment for financial assets measured at amortised cost – Estimation uncertainty with respect to impairment allowances for financial assets measured at amortised cost</b>	
<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The assessment of the Bank's determination of impairment allowances for financing assets measured at amortised cost requires management to make significant judgements over the staging and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality and the complexity of the judgements applied and assumptions and estimates used in the ECL models. As at 31 December 2023, gross financing assets measured at amortised cost amounted to AED 120.2 billion against which an allowance for impairment of AED 5.2 billion was recorded.</p> <p>Refer to Notes 17 and 18 to the consolidated financial statements for financing assets, Note 3 for the accounting policy, Note 3.4 for critical judgements and estimations used by management and Note 42 for the credit risk disclosure.</p> <p>ECLs 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 Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Bank employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are defined in Note 42.2 to the consolidated financial statements.</p>	<p>We have obtained a detailed understanding of the financing origination process, credit risk management process and the estimation process of determining impairment allowances for financial assets measured at amortised cost and tested the design, implementation and operating effectiveness of relevant controls within these processes, which included testing:</p> <ul style="list-style-type: none"> <li>• System-based and manual controls over the timely recognition of impaired financing assets;</li> <li>• Controls over the ECL calculation models;</li> <li>• Controls over collateral valuation estimates; and</li> <li>• Controls over governance and approval process related to impairment provisions and ECL Models including continuous reassessment by the management.</li> </ul> <p>We understood and evaluated the soundness of the ECL models by involving our internal specialists to ensure its compliance with the requirements of IFRSs. We tested the mathematical integrity of the ECL model by performing recalculations on a sample of the financing assets measured at amortised cost and assessed the consistency of the various inputs and assumptions used by management to determine impairment.</p> <p>On a sample basis, we performed a detailed review of exposures and challenged the Banks's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions, such as estimated future cash flows, collateral valuations and estimates of recovery, underlying the impairment allowance calculation. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for the computation of impairment allowances for the financing assets measured at amortised cost.</p>

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)**

**Key Audit Matters (continued)**

<b>Impairment for financial assets measured at amortised cost – Estimation uncertainty with respect to impairment allowances for financial assets measured at amortised cost (continued)</b>	
<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The material portion of the non-retail portfolio of financing assets measured at amortised cost is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. There is the risk that management does not capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management bias may also be involved in manual staging override in accordance with the Bank's policies and the requirements of IFRS 9 Financial Instruments. There is also the risk that judgements, assumptions, estimates, proxies and practical expedients implemented previously, are not consistently applied throughout the current reporting period or there are any unjustified movements in management overlays.</p> <p>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, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period and went through a validation process.</p>	<p>For financing assets measured at amortised cost not tested individually, we evaluated controls over the modelling process, including model monitoring, validation and approval. We tested controls over model outputs. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. We evaluated key assumptions such as thresholds used to determine SICR and forward looking macroeconomic scenarios.</p> <p>We verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances.</p> <p>We evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments. We further assessed the forward-looking information incorporated into the impairment calculations with the assistance of our internal specialists.</p> <p>We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.</p>
<b>Risk of inappropriate access or changes to information technology systems</b>	
<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The Bank is vitally dependent on its complex information technology environment for the reliability and continuity of its operations and financial reporting process due to the extensive volume and variety of transactions which are processed daily across the Bank's businesses; this includes cyber risks.</p>	<p>Our audit approach depends to a large extent on the effectiveness of automated and IT-dependent manual controls and therefore we updated our understanding of the Bank's IT-related control environment and identified IT applications, databases and operating systems that are relevant for the financial reporting process and to our audit.</p>

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)**

**Key Audit Matters (continued)**

<b>Risk of inappropriate access or changes to information technology systems</b>	
<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>Inappropriate granting of or ineffective monitoring of access rights to IT systems therefore presents a risk to the accuracy of financial accounting and reporting. Appropriate IT controls are required to protect the Bank's IT infrastructure, data and applications, ensure transactions are processed correctly and limit the potential for fraud and error as a result of change to an application or underlying data.</p> <p>Unauthorised or extensive access rights cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of financial statements. Therefore, we considered this area as a key audit matter.</p> <p>For further information on this key audit matter refer to Note 42 of the consolidated financial statements.</p>	<p>For relevant IT-dependent controls within the financial reporting process we identified, with the involvement of our internal IT specialists, supporting general IT controls and evaluated their design, implementation and operating effectiveness. We updated our understanding of applications relevant for financial reporting and tested key controls particularly in the area of access protection, integrity of system interfaces and linkage of such controls to the reliability, completeness and accuracy of financial reporting including computer-generated reports used in financial reporting. Our audit procedures covered, but were not limited to, the following areas relevant for financial reporting:</p> <ul style="list-style-type: none"> <li>• IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations;</li> <li>• Controls regarding initial access granted to IT systems for new employees or employees changing roles, whether that access was subject to appropriate screening and was approved by authorised persons;</li> <li>• Controls regarding removal of employee or former employee access rights within an appropriate period of time after having changed roles or leaving the Bank;</li> <li>• Controls regarding the appropriateness of system access rights for privileged or administrative authorisations (superuser) being subject to a restrictive authorisation assignment procedure and regular review thereof;</li> <li>• Password protection, security settings regarding modification of applications, databases and operating systems, the segregation of department and IT users and segregation of employees responsible for program development and those responsible for system operations;</li> <li>• Program developers approval rights in the modification process and their capability to carry out any modifications in the productive versions of applications, databases and operating systems; and</li> <li>• We performed journal entry testing as stipulated by International Standards on Auditing.</li> </ul>





**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)**

**Other Information**

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Group but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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.

When we read the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of 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 IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal 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 ISAs 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.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI ISLAMIC BANK PJSC (continued)**

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

As part of an audit in accordance with ISAs, 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.
- Obtain an understanding of internal control 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 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 to 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 period 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 ABU DHABI ISLAMIC BANK PJSC (continued)

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal 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 Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Group;
- Note 20 to the consolidated financial statements discloses the Group's purchased or investment in shares during the financial year ended 31 December 2023;
- Note 40 to the consolidated financial statements discloses material related party transactions, the terms under which these were conducted and principles of managing conflict of interests;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- Note 44 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2023.

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

Deloitte & Touche (M.E.)



Obada Alkowitz  
Registration No. 1056  
23 January 2024  
Abu Dhabi  
United Arab Emirates

**Consolidated income statement  
for the year ended 31 December 2023**

	Notes	2023 AED '000	2022 AED '000
<b>Operating income</b>			
Income from murabaha, mudaraba and wakala with financial institutions		1,701,730	378,855
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	5	7,519,654	4,663,016
Income from sukuk measured at amortised cost		593,537	387,202
Income from investments measured at fair value	6	267,092	131,967
Income from associates and joint ventures	21	76,121	915,454
Fees and commission income, net	7	1,615,227	1,368,348
Foreign exchange income (loss)		456,319	(167,539)
Income from investment properties	8	38,030	36,716
Other income		125,234	12,018
		<hr/>	<hr/>
		12,392,944	7,726,037
<b>Operating expenses</b>			
Employees' costs	9	(1,851,336)	(1,540,896)
General and administrative expenses	10	(873,910)	(530,766)
Depreciation	22, 25	(321,124)	(271,553)
Amortisation of intangibles	26	(14,873)	(43,505)
Provision for impairment, net	11	(760,261)	(768,856)
		<hr/>	<hr/>
		(3,821,504)	(3,155,576)
		<hr/>	<hr/>
<b>Profit from operations, before distribution to depositors and sukukholders</b>		<b>8,571,440</b>	<b>4,570,461</b>
Distribution to depositors and sukukholders	12	(3,099,342)	(890,951)
		<hr/>	<hr/>
<b>Profit for the year before zakat and tax</b>		<b>5,472,098</b>	<b>3,679,510</b>
Zakat and tax		(220,749)	(60,473)
		<hr/>	<hr/>
<b>Profit for the year after zakat and tax</b>		<b>5,251,349</b>	<b>3,619,037</b>
		<hr/> <hr/>	<hr/> <hr/>
<i>Attributable to:</i>			
Equity holders of the Bank		5,000,261	3,587,186
Non-controlling interest		251,088	31,851
		<hr/>	<hr/>
		5,251,349	3,619,037
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings per share attributable to ordinary shares (AED)	13	1.284	0.915
		<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 47 form part of these consolidated financial statements.

**Consolidated statement of comprehensive income  
for the year ended 31 December 2023**


	Notes	2023 AED '000	2022 AED '000
<b>Profit for the year after zakat and tax</b>		<b>5,251,349</b>	3,619,037
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to consolidated income statement</i>			
Net gain on valuation of equity investments carried at fair value through other comprehensive income	34	17,769	7,251
Directors' remuneration paid	41	(16,100)	(8,190)
Other movement in reserves		(10,420)	-
<i>Items that may subsequently be reclassified to consolidated income statement</i>			
Net movement in valuation of investments in sukuk carried at fair value through other comprehensive income	34	50,527	(285,720)
Exchange differences arising on translation of foreign operations	34	(245,193)	18,424
(Loss) gain on hedge of foreign operations	34	(2,249)	3,995
Fair value gain on cash flow hedges	34	2,064	846
<b>Other comprehensive loss for the year</b>		<b>(203,602)</b>	(263,394)
<b>Total comprehensive income for the year</b>		<b>5,047,747</b>	3,355,643
Attributable to:			
Equity holders of the Bank		4,796,659	3,323,792
Non-controlling interest		251,088	31,851
		<b>5,047,747</b>	3,355,643

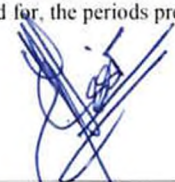
The attached notes 1 to 47 form part of these consolidated financial statements.

**Consolidated statement of financial position**  
**At 31 December 2023**

	Notes	2023 AED '000	2022 AED '000
<b>Assets</b>			
Cash and balances with central banks	14	31,498,312	24,229,302
Balances and wakala deposits with Islamic banks and other financial institutions	15	7,373,806	2,921,094
Murabaha and mudaraba with financial institutions	16	3,930,130	4,519,436
Murabaha and other Islamic financing	17	67,044,317	62,023,422
Ijara financing	18	47,958,087	45,693,485
Investment in sukuk measured at amortised cost	19	18,881,549	14,370,291
Investments measured at fair value	20	5,601,452	5,061,994
Investment in associates and joint ventures	21	834,334	776,084
Investment properties	22	1,262,770	1,277,943
Development properties	23	722,940	713,701
Other assets	24	4,286,167	3,239,346
Property and equipment	25	2,797,990	2,904,973
Goodwill and intangibles	26	635,338	786,020
<b>Total assets</b>		<b>192,827,192</b>	<b>168,517,091</b>
<b>Liabilities</b>			
Due to financial institutions	27	2,555,004	2,834,242
Depositors' accounts	28	157,066,994	138,136,603
Other liabilities	29	5,126,576	4,085,576
Sukuk financing instrument	30	1,836,250	-
<b>Total liabilities</b>		<b>166,584,824</b>	<b>145,056,421</b>
<b>Equity</b>			
Share capital	31	3,632,000	3,632,000
Legal reserve	32	2,647,420	2,640,705
General reserve	32	3,431,547	2,975,819
Credit risk reserve	32	400,000	400,000
Retained earnings		11,358,406	8,642,250
Other reserves	34	(1,094,992)	(564,647)
Tier 1 sukuk	35	4,754,375	4,754,375
<b>Equity attributable to the equity and Tier 1 sukuk holders of the Bank</b>		<b>25,128,756</b>	<b>22,480,502</b>
Non-controlling interest	36	1,113,612	980,168
<b>Total equity</b>		<b>26,242,368</b>	<b>23,460,670</b>
<b>Total liabilities and equity</b>		<b>192,827,192</b>	<b>168,517,091</b>

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented therein.

  
H.E. Jawaan Awaidha Suhail Al Khaili  
Chairman

  
Nasser Abdullah Al Awadhi  
Group Chief Executive Officer

  
Mohamed Abdelbary  
Group Chief Financial Officer

The attached notes 1 to 47 form part of these consolidated financial statements.

**Consolidated statement of changes in equity  
for the year ended 31 December 2023**

	Attributable to the equity and Tier 1 sukuk holders of the Bank								Non-controlling interest AED '000	Total equity AED '000	
	Notes	Share capital AED '000	Legal reserve AED '000	General reserve AED '000	Credit Risk reserve AED '000	Retained earnings AED '000	Other reserves AED '000	Tier 1 sukuk AED '000			Total AED '000
Balance at 1 January 2022		3,632,000	2,640,705	2,633,934	400,000	6,741,105	(254,626)	4,754,375	20,547,493	11,567	20,559,060
Profit for the year		-	-	-	-	3,587,186	-	-	3,587,186	31,851	3,619,037
Other comprehensive loss		-	-	-	-	(8,190)	(255,204)	-	(263,394)	-	(263,394)
Profit paid on Tier 1 sukuk – Listed (second issue)	35	-	-	-	-	(196,250)	-	-	(196,250)	-	(196,250)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	35	-	-	-	-	(68,566)	-	-	(68,566)	-	(68,566)
Dividends paid		-	-	-	-	(1,130,115)	-	-	(1,130,115)	(1,350)	(1,131,465)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Transfer to Impairment reserve – General	34	-	-	-	-	119,078	(119,078)	-	-	-	-
Transfer to Impairment reserve – Specific	34	-	-	-	-	(64,261)	64,261	-	-	-	-
Movement due to business combination		-	-	-	-	24,148	-	-	24,148	938,100	962,248
Transfer to reserves	32	-	-	341,885	-	(341,885)	-	-	-	-	-
<b>Balance at 1 January 2023</b>		<b>3,632,000</b>	<b>2,640,705</b>	<b>2,975,819</b>	<b>400,000</b>	<b>8,642,250</b>	<b>(564,647)</b>	<b>4,754,375</b>	<b>22,480,502</b>	<b>980,168</b>	<b>23,460,670</b>
Profit for the year		-	-	-	-	5,000,261	-	-	5,000,261	251,088	5,251,349
Other comprehensive loss		-	-	-	-	(16,100)	(187,502)	-	(203,602)	-	(203,602)
Profit paid on Tier 1 sukuk – Listed (second issue)	35	-	-	-	-	(196,250)	-	-	(196,250)	-	(196,250)
Profit paid on Tier 1 sukuk – Government of Abu Dhabi	35	-	-	-	-	(140,538)	-	-	(140,538)	-	(140,538)
Redemption of Tier 1 sukuk – second issue	35	-	-	-	-	-	-	(2,754,375)	(2,754,374)	-	(2,754,374)
Issuance of Tier 1 sukuk – third issue	35	-	-	-	-	-	-	2,754,375	2,754,374	-	2,754,374
Issuance cost on Tier 1 sukuk – third issue	35	-	-	-	-	(12,305)	-	-	(12,305)	-	(12,305)
Dividends paid	33	-	-	-	-	(1,779,312)	-	-	(1,779,312)	(1,350)	(1,780,662)
Dividends paid to charity		-	-	-	-	(20,000)	-	-	(20,000)	-	(20,000)
Transfer to Impairment reserve – General	34	-	-	-	-	235,631	(235,631)	-	-	-	-
Transfer to Impairment reserve – Specific	34	-	-	-	-	112,427	(112,427)	-	-	-	-
Loss on disposal of FVTOCI investment		-	-	-	-	(5,215)	5,215	-	-	-	-
Transfer to reserves	32	-	6,715	455,728	-	(462,443)	-	-	-	-	-
Other movement in non-controlling Interest		-	-	-	-	-	-	-	-	(116,294)	(116,294)
<b>Balance at 31 December 2023</b>		<b>3,632,000</b>	<b>2,647,420</b>	<b>3,431,547</b>	<b>400,000</b>	<b>11,358,406</b>	<b>(1,094,992)</b>	<b>4,754,375</b>	<b>25,128,756</b>	<b>1,113,612</b>	<b>26,242,368</b>

The attached notes 1 to 47 form part of these consolidated financial statements.

## Consolidated statement of cash flows for the year ended 31 December 2023

	Notes	2023 AED '000	2022 AED '000
<b>Operating activities</b>			
Profit for the year		5,251,349	3,619,037
Adjustments for:			
Depreciation on investment properties	22	14,657	14,508
Depreciation on property and equipment		241,356	188,829
Depreciation on right-of-use assets		65,111	68,216
Amortisation of intangibles	26	14,873	43,505
Share of results of associates and joint ventures		(76,121)	(422,465)
Dividend income	6	(5,905)	(1,020)
Realised (gain) loss on investments carried at fair value through profit or loss	6	(30,947)	70,094
Unrealised (gain) loss on investments carried at fair value through profit or loss	6	(13,818)	52,165
Realised loss on sukuk carried at fair value through other comprehensive income	6	3,608	187
Loss on disposal of property and equipment		2,388	11,090
Finance cost on lease liabilities		7,487	758
Provision for impairment, net	11	760,261	768,856
Provision for end of service benefits		45,550	33,437
<b>Changes in operating assets and liabilities</b>			
Increase in balances with central banks		6,279,849	4,447,197
Decrease in balances and wakala deposits with Islamic banks and other financial institutions		(6,824,157)	(1,876,497)
(Increase) decrease murabaha and mudaraba with financial institutions		1,688,480	353,875
Increase in murabaha and other Islamic financing		(321,110)	744,904
Increase in ijara financing		(6,879,755)	(11,284,042)
Movement in investments carried at fair value through profit or loss		(2,910,815)	(450,412)
Increase in other assets		(323,055)	377,636
Increase (decrease) in due to financial institutions		(1,192,145)	(45,459)
Increase in depositors' accounts		43,556	(262,714)
Increase in other liabilities		21,817,526	14,068,849
		1,470,125	101,079
<b>Cash from operations</b>			
End of service benefits paid		12,848,499	6,174,416
Directors' remuneration paid	41	(35,537)	(27,115)
		(16,100)	(8,190)
<b>Net cash from operating activities</b>			
		12,796,862	6,139,111
<b>Investing activities</b>			
Dividend received	6	5,905	1,020
Movement in investments carried at fair value through other comprehensive income		140,773	(1,746,349)
Movement in investments carried at amortised cost		(4,644,019)	(4,754,470)
Dividends received from associates and joint ventures		16,250	15,572
Additions in associates		-	(49,934)
Purchase of investment properties		-	(1,007)
Additions in development properties		(9,239)	-
Purchase of property and equipment	25	(294,748)	(301,331)
<b>Net cash used in investing activities</b>			
		(4,785,078)	(6,836,499)
<b>Financing activities</b>			
Issuance of Tier 1 sukuk – Listed (third issue)	35	2,754,375	-
Issuance cost on Tier 1 sukuk – Listed (third issue)	35	(12,305)	-
Repayment of Tier 1 sukuk – Listed (second issue)	35	(2,754,375)	-
Issuance of Sukuk financing instrument	30	1,836,250	-
Finance cost on lease liability	10	(7,487)	(758)
Profit paid on Tier 1 sukuk – Listed (second issue)	35	(196,250)	(196,250)
Profit paid on Tier 1 sukuk to Government of Abu Dhabi	35	(140,538)	(68,566)
Dividends paid		(1,870,841)	(1,133,053)
<b>Net cash used in financing activities</b>			
		(391,171)	(1,398,627)
<b>Increase (decrease) in cash and cash equivalents</b>			
		7,620,613	(2,096,015)
Cash and cash equivalents at 1 January		5,106,695	7,202,710
<b>Cash and cash equivalents at 31 December</b>	40	12,727,308	5,106,695
Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, sukuk and customer deposits are as follows:			
Profit received		9,248,577	4,490,479
Profit paid to depositors		2,828,445	453,936

The attached notes 1 to 47 form part of these consolidated financial statements.



## Notes to the consolidated financial statements for the year ended 31 December 2023

### 1 Legal status and principal activities

Abu Dhabi Islamic Bank PJSC (the “Bank”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE), as a public joint stock company with limited liability, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) and the Amiri Decree No. 9 of 1997. Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and came into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”).

The Bank and its subsidiaries (the “Group”) carry out full banking services, financing and investing activities through various Islamic instruments such as Murabaha, Istisna’a, Mudaraba, Musharaka, Ijara, Wakalah, Sukuk etc. The activities of the Bank are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Internal Shari’a Supervisory Committee of the Bank, and within the provisions of the Articles and Memorandum of Association of the respective entities within the Group.

In addition to its main office in Abu Dhabi, the Bank operates through its 58 branches in UAE (2022: 58 branches) and 3 overseas branches in Iraq, Qatar and Sudan and subsidiaries in the UAE, Egypt and the United Kingdom. The consolidated financial statements combine the activities of the Bank’s head office, its branches and subsidiaries.

The registered office of the Bank is at P O Box 313, Abu Dhabi, UAE.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 23 January 2024.

### 2 Definitions

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

#### **Murabaha**

A sale contract, in which the Group sells to a customer a physical asset, goods, or shares already owned and possessed (either physically or constructively) at a selling price that consists of the purchase cost plus a mark-up profit.

#### **Istisna’a**

A sale contract, in which the Group (Al Saanee) sells an asset to be developed using its own materials to a customer (Al Mustasnee) according to pre-agreed upon precise specification, at a specific price, installments dates and to be delivered on a specific date. This developed asset can be either developed directly by the Group or through a subcontractor and then it is handed over to the customer on the pre-agreed upon date.

#### **Ijara**

A lease contract whereby the Group (the Lessor) leases to a customer (the Lessee) a service or the usufruct of an owned or rented physical asset that either exists currently or to be constructed in future (forward lease) for a specific period of time at specific rental installments. The lease contract could be ended by transferring the ownership of a leased physical asset through an independent mode to the lessee.

#### **Qard Hasan**

A non-profit bearing loan that enables the borrower to use the borrowed amount for a specific period of time, at the end of which the same borrowed amounts would be repaid free of any charges or profits.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 2 Definitions (continued)

#### **Musharaka**

A contract between the Group and a customer to entering into a partnership in an existing project (or to be established), or in the ownership of a specific asset, either on ongoing basis or for a limited time, during which the Group enters in particular arrangements with the customer to sell to him/her its share in this partnership until he/she becomes the sole owner of it (diminishing musharaka). Profits are distributed according to the mutual agreement of the parties as stipulated in the contract; however, losses are borne according to the exact shares in the Musharaka capital on a pro-rata basis.

#### **Mudaraba**

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

#### **Wakalah**

A contract between the Group and a customer whereby one party (the principal: the Muwakkil) appoints the other party (the agent: Wakil) to invest certain funds according to the terms and conditions of the Wakala for a fixed fee in addition to any profit exceeding the expected profit as an incentive for the Wakil for the good performance. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the Wakil; otherwise, they are borne by the principal.

#### **Sukuk**

Certificates which are equal in value and represent common shares in the ownership of a specific physical asset (leased or to be leased either existing or to be constructed in future), or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

### 3 Basis of preparation

#### **3.1 (a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), general principles of the Shari’a as determined by the Group’s Internal Shari’a Supervisory Committee and applicable requirements of the laws of the UAE.

#### **3.1 (b) Accounting convention**

The consolidated financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income, Shari’a compliant alternatives of derivative financial instruments which have been measured at fair value and land, held as property and equipment, which has been carried at revalued amount.

The consolidated financial statements have been presented in UAE Dirhams (AED), which is the functional currency of the Bank and all values are rounded to the nearest thousand AED except where otherwise indicated.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 3 Basis of preparation (continued)

#### 3.1 (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and those of its following subsidiaries:

	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			<b>2023</b>	2022
Abu Dhabi Islamic Securities Company LLC	Equity brokerage services	United Arab Emirates	<b>95%</b>	95%
Burooj Properties LLC	Real estate investments	United Arab Emirates	<b>100%</b>	100%
MPM Properties LLC	Real estate services	United Arab Emirates	<b>100%</b>	100%
ADIB Invest 1	Equity brokerage services	BVI	<b>100%</b>	100%
Kawader Services LLC	Manpower supply	United Arab Emirates	<b>100%</b>	100%
ADIB (UK) Limited	Other services	United Kingdom	<b>100%</b>	100%
ADIB Capital Ltd	Funds services	United Arab Emirates	<b>100%</b>	100%
Abu Dhabi Islamic Bank – Egypt (S.A.E.)**	Islamic Banking	Egypt	<b>53%</b>	<b>53%</b>
ADIB Sukuk Company II Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 2 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Capital Invest 3 Ltd*	Special purpose vehicle	Cayman Island	-	-
ADIB Alternatives Ltd* (under liquidation)	Special purpose vehicle	Cayman Island	-	-

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

\*\* It has been approved by ADIB Internal Shari'a Supervisory Committee to consolidate the financial statements of ADIB Egypt with ADIB Group following the use of an exceptionally acceptable structure in the absence of a permanent structure to invest ADIB Egypt liquidity in a way other than the direct investment of such liquidity in the conventional securities issued by the Central Bank of Egypt and which allowed the recognition of the income accordingly. The Bank continues to recognize the profits that have been purified prior the use of the structured mentioned above.

These consolidated financial statements include the operations of the subsidiaries over which the Bank has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interest represent the portion of the net income or loss and net assets of the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from shareholders' equity of the Bank.

#### 3.2 Changes in accounting policies

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current year but may affect the accounting for the Group's future transactions or arrangements.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 3 Basis of preparation (continued)

#### 3.2 Changes in accounting policies (continued)

- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts - Cost of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.

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

#### 3.3 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - 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 (effective from January 1, 2024).
- Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (effective from 1 January 2024).
- Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (Effective date deferred indefinitely, available for early adoption).

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

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 3 Basis of preparation (continued)

#### 3.4 Significant judgements and estimates

The preparation of the consolidated financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are currently evaluated and are based on historical experience and other factors. In order to reduce the element of subjectivity, the Group has laid down clear criteria to enable estimation of future cash flows. As estimates are based on judgments, actual results may differ, resulting in future changes in such provisions.

#### **IFRS 9: Financial instruments:**

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.
- Calculation of expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the year ended 31 December 2023 pertain to the changes introduced as a result of adoption of IFRS 9 (ECL): Financial instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

**Key Considerations:** Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

**Assessment of Significant Increase in Credit Risk:** The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

The assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

- (i) The Group has established thresholds for significant increases in credit risk based on movement in Probability of Default (PD) as determined by the Obligor Risk Rating (ORR) relative to initial recognition as well as PD thresholds.
- (ii) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
- (iii) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

**Credit Impairment:** Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 3 Basis of preparation (continued)

#### 3.4 Significant judgements and estimates (continued)

**Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios:** The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD and Loss Given Default (LGD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Group's expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

Base-case, Upside and Downside scenarios, will be based on macroeconomic forecasts received from an external reputable source. These scenarios will be updated on a quarterly basis and more frequently if conditions warrant.

All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

**Definition of default:** The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

**Expected Life:** When measuring ECL, the Group considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

**Governance:** The Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance and Risk Management and will be responsible for reviewing and approving key inputs and assumptions used in the Group's expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group's financial statements.

#### *Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

#### *Contingencies*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

#### *Operating lease commitments - Group as lessor*

The Group has entered into commercial property lease arrangements on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties therefore, accounts for the contracts as operating leases.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****3 Basis of preparation (continued)****3.4 Significant judgements and estimates (continued)***Classification and measurement of financial assets*

The classification and measurement of the financial assets depend on the management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. The Group's investments in securities are appropriately classified and measured.

*Investment and development properties*

The Group hired services of professional real estate valuer to provide reliable estimates of the market value of investment properties for determining the fair values as of the reporting date, for disclosure purposes and assessing the impairment, if any. The basis of estimate and method used by the valuer has been disclosed in the note 22.

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position that cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

*Classification of properties*

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, development property or property and equipment. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, development property and property and equipment. In making its judgment, management considers the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management.

*Impairment of investments in associates and joint ventures*

Management regularly reviews its investment in associates and joint venture for indicators of impairment. This determination of whether investments in associates is impaired, entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. If managements' review results in impairment, the difference between the estimated recoverable amount and the carrying value of investment in associates and joint venture is recognised as an expense in the consolidated income statement.

*Impairment review of investment properties, development properties and advances paid against purchase of properties*

Investment properties, development properties and advances paid against purchase of properties are assessed for impairment based on assessment of cash flows on individual cash-generating units when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any impairment.

The assessment of current market conditions, including cost of project completion, future rental and occupancy rates and assessment of the projects capital structure and discount rates requires management to exercise its judgment. Management uses internal and external experts to exercise this judgment.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 3 Basis of preparation (continued)

#### 3.4 Significant judgements and estimates (continued)

##### *Impairment of goodwill*

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

##### *Useful life of property and equipment and investment properties*

The cost of property and equipment and investment properties are depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors.

##### *Business combinations*

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of intangibles other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation.

##### *Valuation of financial instruments*

The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that include one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

##### *Lease accounting under IFRS 16*

The following are the critical judgments and estimates in the application of IFRS 16, 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 the consolidated financial statements:

- identifying whether a contract (or part of a contract) includes a lease;
- determining whether it is reasonably certain that an extension or termination option will be exercised;
- classification of lease arrangements (when the entity is a lessor);
- determination of the appropriate rate to discount the lease payments; and
- assessment of whether a right-of-use asset is impaired.



## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

#### Revenue recognition

##### *Murabaha*

Murabaha income is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding.

##### *Istisna'a*

Istisna'a revenue and the associated profit margin (difference between the cash price of al-masnoo to the customer and the Bank's total Istisna'a cost) is accounted for on a time apportioned basis.

##### *Ijara*

Ijara income is recognised on a time apportioned basis over the lease term.

##### *Musharaka*

Income is accounted for on the basis of the reducing balance of Musharaka on a time apportioned basis that reflects the effective yield on the asset.

##### *Mudaraba*

Income or losses on Mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to the Bank's consolidated income statement on their declaration by the Mudarib.

##### *Sukuk*

Income is accounted for on a time apportioned basis over the terms of the Sukuk.

##### *Revenue from sale of properties, net*

Revenue is recognized when (or as) the Group satisfies the performance obligation at an amount that reflects the consideration to which the Group is entitled in exchange for transferring goods or services to a customer. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer).

Cost of sale of properties includes the cost of development. Development costs include the cost of infrastructure and construction.

Cost of sale of land represents the carrying amount at which it is recorded in the consolidated financial statements of the Group.

##### *Fee and commission income*

Fee income is earned from a diverse range of services provided by the Bank to its customers and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. The Bank recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, Brokerage fees and commission);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, Projects and property management fees, arrangement fees and Accounts services fees); and
- Other fees and commission income and expense are recognised as the related services are performed or received.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Revenue recognition (continued)

##### *Operating lease income*

Operating lease income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

##### *Gain on sale of investments*

Gain or loss on disposal of fair value through profit or loss investments represents the difference between the sale proceeds and the carrying value of such investments on the date of sale less any associated selling costs and is recognised through consolidated income statement.

Gain or loss on disposal of fair value through other comprehensive income investments represents the difference between sale proceeds and their original cost less associated selling costs and is recognised through consolidated statement of comprehensive income and are included within cumulative changes in fair value reserve within equity and not recognised in the consolidated income statement.

##### *Dividends*

Dividends from investments in equities are recognised when the right to receive the dividend is established.

#### Financial instruments

##### *Recognition and measurement*

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group are further analysed as:

- Customer financing.
- Balances and wakala deposits with Islamic banks and other financial institutions;
- Murabaha and mudaraba with financial institutions;
- Investment in sukuk;
- Investment in equity instruments;
- Trade and other receivables; and
- Sharia compliant alternatives of derivatives.

The Group's customer financing comprises the following:

- Murabaha and other Islamic financing; and
- Ijara financing.

Financial assets are classified in their entirety on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

##### *Classification*

##### *Financial assets at amortised cost*

Balances and wakala deposits with Islamic banks and other financial institutions, Murabaha and mudaraba with financial institutions, Acceptances, Murahaba and other Islamic financing (excluding Istisna'a) and investment in sukuk, are measured at amortised cost, if both the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Classification (continued)*

##### *Financial assets at fair value through profit or loss ("FVTPL")*

Investments in equity instruments are classified as FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Other financial assets that do not meet the amortised cost criteria are classified as FVTPL. In addition, certain financial assets that meet the amortised cost criteria but at initial recognition are designated as FVTPL in line with the business model of the Group. As a fair value option, a financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis.

Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets that are designated as FVTPL on initial recognition as fair value option is not allowed.

##### *Financial assets at fair value through other comprehensive income ("FVTOCI")*

At initial recognition, the Group can make an irrevocable election (on instrument-by-instrument basis) to designate investments in equity instruments as FVTOCI.

A financial asset is FVTPL if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is part of identified financial instrument that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a Shari'a compliant alternatives of derivative financial instruments and not designated and effective as a hedging instrument or a financial guarantee.

##### *Measurement*

##### *Financial assets or financial liabilities carried at amortised cost*

Financial assets are recorded at amortised cost, which includes Balances and wakala deposits with Islamic banks and other financial institutions, Murabaha and mudaraba with financial institutions, Acceptances, Murahaba and other Islamic financing (excluding Istisna'a) and investment in sukuk, less any reduction for impairment. Amortised cost is calculated using the effective profit rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective profit rate of the instrument.

Balances and deposits with banks and other financial institutions, Murabaha and Mudaraba with financial institutions, Murahaba, Ijara, Mudaraba and certain other Islamic financing are financial assets with fixed or expected profit payments. These assets are not quoted in an active market. They arise when the Group provides funds directly to a customer with no intention of trading the receivable. Financial liabilities are liabilities where the Group has a contractual obligation to deliver cash or another financial asset or exchange financial instruments under conditions that are potentially unfavourable to the Group.

Balances and wakala deposits with Islamic banks and other financial institutions are stated at amortised cost less amounts written off and provision for impairment, if any.

Murabaha and mudaraba with financial institutions are stated at amortised cost (which excludes deferred income or expected profits) less provisions for impairment.

Islamic financing consist of murabaha receivables, mudaraba, Istisna'a, Islamic covered cards (murabaha based) and other Islamic financing.

Istisna'a cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Measurement (continued)*

Other Islamic financing are stated at amortised cost (which excludes deferred income) less any provisions for impairment.

The Ijara is classified as a finance lease, when the Bank undertakes to sell the leased assets to the lessee using an independent agreement upon the maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leased assets to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

##### *Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included within 'investment income' in the consolidated income statement.

##### *Financial assets at fair value through other comprehensive income ("FVTOCI")*

Investments in equity instruments are initially measured at fair value plus transaction costs. Subsequently they are measured at fair value with gains and losses arising from changes in fair value recognised in the consolidated statement of other comprehensive income and accumulated in the cumulative changes in fair values within equity.

Where the assets are disposed off, except for sukuk measured at FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair values is not transferred to the consolidated income statement, but is reclassified to retained earnings. Financial assets (equity instruments) measured at FVTOCI are not required to be tested for impairment.

For sukuk measured at FVTOCI which are disposed off, the cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income is reclassified from equity to consolidated income statement. Financial assets (Sukuk instruments) measured at FVTOCI are tested for impairment.

For investments quoted in active market, fair value is determined by reference to quoted market prices.

For other investments, where there is no active market, fair value is normally based on one of the following:

- the expected cash flows discounted at current profit rates applicable for items with similar terms and risk characteristics
- brokers' quotes
- recent market transactions

Dividends on investment in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of investment.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Measurement (continued)*

##### *Financial assets at fair value through other comprehensive income ("FVTOCI") (continued)*

##### *(i) Recognition / De-recognition*

The Group initially recognises financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

Financing to customers are recognised on the day they are disbursed. A financial liability is recognised on the date the Group becomes a party to contractual provisions of the instrument.

A financial asset is de-recognised when the contractual rights to the cash flows from the financial asset expires or when it transfers the financial asset. A financial liability is de-recognised when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets designated at fair value through profit or loss, and financial assets at fair value through other comprehensive income that are sold are de-recognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets. The Group uses the specific identification method to determine the gain or loss on de-recognition.

##### *(ii) Offsetting of financial instruments*

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right and under Sharia'a framework to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

##### ***Impairment assessment:***

The Group assesses whether financial assets carried at amortised cost and carried at FVTOCI are credit-impaired. 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. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the finance customer or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the finance customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

##### ***Measurement of Expected Credit Losses (ECL):***

The impairment of financial assets are calculated in accordance with IFRS 9 expected credit loss (ECL) model. The standard introduces a new single model for the measurement of impairment losses on all financial assets including financing and sukuk measured at amortized cost or at fair value through OCI. The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

**Stage 1:** 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default (LGD).

**Stage 2:** Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD and Exposure at Default (EAD) measures. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Measurement of Expected Credit Losses (ECL): (continued)*

**Stage 3:** Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition. 12-month ECL are the portion of life time ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

ECL is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate. The Group has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Group developed a statistical model and for other portfolios judgmental models were developed.

#### **Renegotiated financing facilities**

Where possible, the Bank seeks to restructure financing facilities rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new conditions. Management continually reviews renegotiated facilities to ensure that all future payments are highly expected to occur.

When the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the finance customer, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the gross carrying amount of the financial asset as the present value of the renegotiated or modified cash flows, that are discounted at the financial asset at the original effective profit rate and shall recognize the modification gain or loss in the profit or loss.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

#### **Purchased or originated credit impaired assets (POCI)**

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit income is subsequently recognized based on a credit-adjusted expected profit rate. Life time ECLs are only recognised or released to the extent that there is a subsequent change in the ECL.

#### **Covered card facilities**

The Group's product offering includes a variety of covered cards facilities, in which the Group has the right to cancel and/or reduce the facilities at a short notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Financial instruments (continued)

##### Write-off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

##### Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's reporting schedule, to the extent it is possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data such as market transactions, rental yields and audited financial statements.

##### Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

##### Fair value measurements

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic benefit.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs (note 43).

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Business combinations

Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the cash and equity interests issued by the Bank in exchange for control of the acquiree. Acquisition related costs are recognised in consolidated income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Bank entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated income statements as gain on acquiring controlling interest.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Bank in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in consolidated income statement.

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Bank obtains control) and the resulting gain or loss, if any, is recognised in consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated income statement where such treatment would be appropriate if that interest were disposed of.



## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date which is regarded as their cost. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

Intangibles excluding banking license are amortised using the straight-line basis over their estimated useful lives. The estimated useful life and amortization 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. The rates of amortisation are based upon the following estimated useful lives:

- Customer relationship 8 years
- Core deposit intangible 8 - 12 years

The banking license has an indefinite life and will be tested for impairment annually. For impairment testing purposes, the banking license is allocated to the relevant cash generating unit.

#### Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units which are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Investment in associates

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated income statement reflects the share of the results of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

#### Investment in joint ventures

The Group has investment in joint ventures, which are jointly controlled entities, whereby venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The Group's investment in joint ventures is accounted for using the equity method of accounting.

Under the equity method, the investment in the joint ventures is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not amortised or separately tested for impairment. The consolidated income statement reflects the share of the results of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The financial statements of the ventures are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated income statement.

#### Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the assets' estimated useful lives. The useful life of buildings is estimated to be 25 - 40 years.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated income statement.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Development properties

Properties in the course of construction for sale or completed properties held for sale are classified as development properties. Completed properties held for sale are stated at the lower of cost or net realizable value. Properties in the course of development for sale are stated at lower of cost or net realizable value. The cost of development properties includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be complete when all related activities, including the infrastructure and facilities for the entire project, have been completed.

#### Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is recorded at revalued amount in the consolidated financial statements.

Depreciation is provided on a straight-line basis over the estimated useful lives of property and equipment, other than freehold land which is deemed to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

• Buildings	25 - 40 years
• Furniture and leasehold improvements	3 - 7 years
• Computer and office equipment	4 - 8 years
• Motor vehicles	4 years

The carrying values of properties and equipment are reviewed for impairment when events of changes in circumstances indicate the carrying value may not be recoverable. If any such conditions exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Any subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated income statement as the expense is incurred.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement in the year the asset is derecognized.

Capital work-in-progress is initially recorded at cost, and upon completion is transferred to the appropriate category of property and equipment and thereafter depreciated.

When an asset is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognized as income i.e., to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense. On disposal, the related revaluation surplus is credited directly to retained earnings.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Leases

In cases where Group is a Lessee, all leases and the associated contractual rights and obligations is generally recognize in the Group's financial position, unless the term is 12 months or less or the lease for low value asset. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or lease payments relating to that lease recognised in the consolidated statement of financial position.

The recognised right-of-use assets are related to and included in property and equipment and corresponding lease liabilities under other liabilities the consolidated statement of financial position.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The assumed finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period (the "finance cost on lease liabilities"). The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be determined, the lessee's incremental financing rate is used, being the rate that the lessee would have to pay to obtain financing for the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group has used weighted average incremental financing rate for calculating the net present value of lease liabilities.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Income taxes and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be settled with the tax authorities.

Deferred tax is accounted for using the asset and liability method. Deferred tax assets and liabilities are recognised for the full tax consequences of all temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Recognition of deferred tax assets are, however, restricted to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period in which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax assets are reviewed periodically to reduce the carrying amount by the extent to which it is no longer probable that sufficient taxable profits will be available to utilise the differences.

Deferred tax assets and liabilities are off set when there is a legally enforceable right to set off current tax asset against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and current tax liabilities on a net basis.

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 enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023.

As the Group’s accounting year ends on 31 December, the first tax period will be 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. It is not currently foreseen that the Group’s UAE operations will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) - Pillar Two rules by the countries where the Group operates and the implementation of a top-up tax regime by UAE MOF.

As per the Group’s assessment, there is no material deferred tax impact on account of the CT Law in the Group consolidated financial statements for the year ended 31 December 2023. The deferred tax recognised in the consolidated financial statements relates to the overseas subsidiaries.

#### Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

#### Acceptances

Acceptances are recognised as 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.

#### Deposits

Customer deposits and due to banks and other financial institutions are carried at amortised cost.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Sukuk financing instruments

Sukuk financing instruments are initially measured at fair value and then are subsequently measured at amortised cost using the effective profit rate method, with profit distribution recognised on an effective yield basis.

The effective profit rate method is a method of calculating the amortised cost of a financial liability and of allocating profit distribution over the relevant period. The effective profit rate 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 of the financial asset or financial liability.

#### Employees' pension and end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are included within 'other liabilities' in the consolidated statement of financial position.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognised in the consolidated income statement when due.

#### Shari'a compliant alternatives of derivative financial instruments

The Bank enters into a Shari'a compliant alternatives of derivative financial instruments to manage the exposure to profit rate risks, including unilateral promise which represents Shari'a compliant alternatives of swap. Those financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All these Shari'a compliant alternatives of derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate.

The Bank enters into cash flows hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that will affect future reported net income.

In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

#### Cash flow hedges

The effective portion of changes in the fair value of Shari'a compliant alternatives of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The ineffective part of any gain or loss is recognized immediately in the consolidated income statement. Amounts accumulated in equity are transferred to the consolidated income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated income statement. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the consolidated income statement.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in consolidated statement of comprehensive income within foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Gains and losses accumulated in equity are included in the consolidated income statement on the disposal of the foreign operations.

#### Zakat

As the Bank is not required to dispose Zakat by UAE laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, each shareholder is directly responsible of the payment of the Zakat amount of the shares that he/she owns. In accordance with the Articles and Memorandum of Association of the Bank, Zakat is computed by the Bank and it is approved by the Internal Shari'a Supervisory Committee of the Bank. However, in few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible of Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these entities on behalf of the Shareholders and deducts the amount paid as Zakat from the total zakat amount and the Zakat amount per each outstanding share.

Zakat per share is calculated in accordance with AAOIFI's Shari'a Standard number 35 on Zakat, and the Group's Internal Shari'a Supervisory Committee Resolutions.

In accordance with the Memorandum of Association, the Group communicates the amount of Zakat per share and it is the responsibility of each shareholder to directly dispose personally his/her own Zakat amount (note 38).

#### Profit distribution

Profits or losses of Mudaraba based depositors' accounts are calculated and distributed in accordance with the Banking Service Agreement between the Bank and the investment account holders. Investment in subsidiaries is funded from the shareholders' funds, hence profit or losses from the subsidiaries are not distributed to the investment account holders. Investment in associates is funded jointly from the shareholders and investment account holders' funds, therefore, profits and losses of the associates are distributed among the shareholders and investment account holders. A part of the deserved profits relating to the Mudaraba based investment accounts profit can be reserved as "Investment Risk Reserve" and shall be subsequently utilized in order to maintain certain level of profit distribution to the account holders.

The same allocation is applicable to Wakala deposits and any share of profit above the fixed Wakala fee and the initially expected profit agreed with the investment account holder, shall pertain to the Wakil (the Bank).

#### Cash and cash equivalents

For the purpose of preparation of the consolidated statement of cash flow, cash and cash equivalents are considered to be cash and balances with central banks, due from banks and international murabahat. Cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

#### Trade and settlement date accounting

All "regular way" purchase and sales of financial assets are recognized on the settlement date, i.e., the date the asset is delivered to the counterparty. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### Prohibited income

According to the Internal Shari'a Supervisory Committee "ISSC", the Group is required to avoid any transaction or activity deemed to be not acceptable by Shari'a and to identify any income from such source and to set it aside in a separate account (charity account) to be disposed to charity by the Group under the supervision of the ISSC (as purification amount).

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

#### Foreign currencies

The Group's consolidated financial statements are presented in AED, which is the Bank's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recorded in the other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

#### Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value. Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the consolidated income statement in 'net fees and commission income' over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement in 'credit loss expense'. Any financial guarantee liability remaining is recognized in the consolidated income statement in 'net fees and commission income' when the guarantee is discharged, cancelled or expires.

#### Segment reporting

The Bank has presented the segment information in respect of its business and geographical segments in the same way as it is presented internally to the management.

#### Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

#### Treasury shares and contracts on own equity instruments

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in consolidated income statement on the purchase, sale, issue or cancellation of own equity instruments.

#### Restricted Investment Accounts

Restricted investment accounts represent special nature assets resulted from funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager (Wakil) based on or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.



## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 4 Significant accounting policies (continued)

#### Profit Rate Benchmark Reform

Effective from 1 January 2021, the Phase 2 of the IBOR benchmark reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable. The areas impacted by the amendments include application of practical expedient for accounting for modifications of financial assets and financial liabilities when transactions are updated for the new IBOR benchmark rates (will not result in derecognition), relief on changes to hedge designations and hedge documentation (a change to hedge designations and hedge documentation required by IBOR reform would not result in discontinuation of hedge accounting) and providing disclosures that enable users to understand nature and extent of risks arising from profit rate benchmark reform to which the Group is exposed and how it manages those risks. The amendments are applied retrospectively with no restatement required for prior periods. For details, please refer to note 46.

### 5 Income from murabaha, mudaraba, ijara and other islamic financing from customers

	2023 AED '000	2022 AED '000
Vehicle murabaha	560,128	284,333
Goods murabaha	1,146,739	467,203
Share murabaha	869,844	832,283
Commodities murabaha – Al Khair	422,252	369,228
Islamic covered cards (murabaha)	395,401	325,826
Other murabaha	669,535	392,774
	<hr/>	<hr/>
Total murabaha	4,063,899	2,671,647
Mudaraba	684,651	174,027
Ijara	2,575,501	1,705,819
Wakala	195,597	111,513
Istisna'a	6	10
	<hr/>	<hr/>
	7,519,654	4,663,016
	<hr/> <hr/>	<hr/> <hr/>

### 6 Income from investments measured at fair value

	2023 AED '000	2022 AED '000
Income from sukuk measured at fair value through profit or loss	87,737	75,596
Income from sukuk measured at fair value through other comprehensive income	126,615	112,716
Realised gain (loss) on investments carried at fair value through profit or loss	30,947	(70,094)
Unrealised gain (loss) on investments carried at fair value through profit or loss	13,818	(52,165)
Realised loss on sukuk carried at fair value through other comprehensive income	(3,608)	(187)
Gain from other investment assets	5,678	65,081
Dividend income	5,905	1,020
	<hr/>	<hr/>
	267,092	131,967
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**7 Fees and commission income, net**

	<b>2023</b> <b>AED '000</b>	2022 AED '000
<b>Fees and commission income</b>		
Fees and commission income on cards	<b>1,667,747</b>	1,343,749
Trade related fees and commission	<b>143,950</b>	98,887
Takaful related fees	<b>5,069</b>	3,757
Accounts services fees	<b>123,621</b>	110,508
Projects and property management fees	<b>46,682</b>	43,421
Risk participation and arrangement fees	<b>121,265</b>	122,436
Brokerage fees and commission	<b>41,893</b>	39,028
Other fees and commissions	<b>536,322</b>	470,546
	<hr/>	<hr/>
Total fees and commission income	<b>2,686,549</b>	2,232,332
	<hr/>	<hr/>
<b>Fees and commission expenses</b>		
Card related fees and commission expenses	<b>(965,193)</b>	(783,397)
Other fees and commission expenses	<b>(106,129)</b>	(80,587)
	<hr/>	<hr/>
Total fees and commission expenses	<b>(1,071,322)</b>	(863,984)
	<hr/>	<hr/>
Fees and commission income, net	<b>1,615,227</b>	1,368,348
	<hr/> <hr/>	<hr/> <hr/>

**8 Income from investment properties**

	<b>2023</b> <b>AED '000</b>	2022 AED '000
Rental income (note 22)	<b>38,030</b>	36,716
	<hr/> <hr/>	<hr/> <hr/>

**9 Employees' costs**

	<b>2023</b> <b>AED '000</b>	2022 AED '000
Salaries and wages	<b>1,644,527</b>	1,415,328
End of service benefits	<b>84,366</b>	69,080
Other staff expenses	<b>122,443</b>	56,488
	<hr/>	<hr/>
	<b>1,851,336</b>	1,540,896
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**10 General and administrative expenses**

	<b>2023</b>	2022
	<b>AED '000</b>	AED '000
Legal and professional expenses	<b>126,202</b>	106,219
Premises expenses	<b>110,324</b>	67,595
Marketing and advertising expenses	<b>70,489</b>	65,480
Communication expenses	<b>111,327</b>	93,882
Technology related expenses	<b>219,516</b>	178,014
Finance cost on lease liabilities	<b>7,487</b>	758
Other operating expenses	<b>228,565</b>	18,818
	<hr/>	<hr/>
	<b>873,910</b>	530,766
	<hr/> <hr/>	<hr/> <hr/>

**11 Provision for impairment, net**

	<b>2023</b>	2022
	<b>AED '000</b>	AED '000
Murabaha and other Islamic financing	<b>168,538</b>	333,919
Ijara financing	<b>419,360</b>	325,264
Direct write-off, net of recoveries	<b>4,188</b>	2,714
Investment in sukuk measured at amortised cost	<b>80,962</b>	17,605
Others	<b>87,213</b>	89,354
	<hr/>	<hr/>
	<b>760,261</b>	768,856
	<hr/> <hr/>	<hr/> <hr/>

**12 Distribution to depositors and sukuk holders**

	<b>2023</b>	2022
	<b>AED '000</b>	AED '000
Saving accounts	<b>210,137</b>	175,493
Investment accounts	<b>2,875,702</b>	715,458
Sukuk holders	<b>13,503</b>	-
	<hr/>	<hr/>
	<b>3,099,342</b>	890,951
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 13 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of any financial instruments with dilutive effects.

The following reflects the income and shares data used in the earnings per share computations:

	Notes	2023 AED '000	2022 AED '000
Profit for the year attributable to equity holders (AED '000)		5,000,261	3,587,186
Less: profit attributable to Tier 1 sukuk holder			
- Listed (second issue) (AED '000)	35	(196,250)	(196,250)
- Government of Abu Dhabi (AED '000)	35	(140,538)	(68,566)
Basic and diluted earnings per share (AED)		<u>                    </u>	<u>                    </u>
Profit for the year attributable to equity holders after deducting profit relating to Tier 1 sukuk (AED '000)		4,663,473	3,322,370
Weighted average number of ordinary shares at 31 December in issue (000's)		<u>3,632,000</u>	<u>3,632,000</u>
Basic and diluted earnings per share (AED)		<u>1.284</u>	<u>0.915</u>

The Bank does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised. Profit on Tier 1 sukuk is reflected in the EPS computation on the payment of such profit.

### 14 Cash and balances with central banks

	2023 AED '000	2022 AED '000
Cash on hand	2,022,259	2,122,245
Balances with central banks:		
- Current accounts	1,739,360	803,885
- Statutory reserve	14,127,177	9,042,331
- Islamic certificate of deposits	13,610,743	12,263,762
	<u>31,499,539</u>	<u>24,232,223</u>
Less: provision for impairment	(1,227)	(2,921)
	<u>31,498,312</u>	<u>24,229,302</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**14 Cash and balances with central banks (continued)**

The Bank is required to maintain statutory reserves with the Central Bank of the UAE, Egypt, Iraq and Sudan on demand, time and other deposits. The statutory reserves are not available for use in the Bank's day-to-day operations and cannot be withdrawn without the approval of the Central Bank. Cash on hand and current accounts are not profit-bearing. Islamic certificate of deposits are profit bearing, which is based on entering into international commodities Murabaha transaction in which Central Bank of the UAE and Central Bank of Iraq are the buyers and the Bank is the seller.

The distribution of the cash and balances with central banks by geographic region is as follows:

	<b>2023</b>	2022
	<b>AED '000</b>	AED '000
UAE	<b>27,831,678</b>	21,292,257
Rest of the Middle East	<b>2,416,442</b>	1,384,595
Others	<b>1,251,419</b>	1,555,371
	<b>31,499,539</b>	24,232,223

**15 Balances and wakala deposits with islamic banks and other financial institutions**

	<b>2023</b>	2022
	<b>AED '000</b>	AED '000
Current accounts	<b>205,301</b>	434,284
Wakala deposits	<b>7,186,958</b>	2,529,905
	<b>7,392,259</b>	2,964,189
Less: provision for impairment	<b>(18,453)</b>	(43,095)
	<b>7,373,806</b>	2,921,094

In accordance with Shari'a principles, deposits are invested only with Islamic financial institutions. The Bank does not earn profits on current accounts with banks and financial institutions.

The distribution of the balances and wakala deposits with Islamic banks and other financial institutions by geographic region is as follows:

	<b>2023</b>	2022
	<b>AED '000</b>	AED '000
UAE	<b>1,433,787</b>	338,283
Rest of the Middle East	<b>5,749,171</b>	2,241,486
Europe	<b>134,677</b>	109,338
Others	<b>74,624</b>	275,082
	<b>7,392,259</b>	2,964,189

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**16 Murabaha and mudaraba with financial institutions**

	2023 AED '000	2022 AED '000
Murabaha	3,994,920	4,557,805
Less: provision for impairment	(64,790)	(38,369)
	<u>3,930,130</u>	<u>4,519,436</u>

In accordance with Shari'a principles, Mudaraba are with Islamic financial institutions or provided for the activities that are entirely Shari'a compliant.

The distribution of the gross murabaha and mudaraba with financial institutions by geographic region is as follows:

	2023 AED '000	2022 AED '000
UAE	25,989	44,669
Rest of the Middle East	49,389	-
Others	3,919,542	4,513,136
	<u>3,994,920</u>	<u>4,557,805</u>

**17 Murabaha and other Islamic financing**

	2023 AED '000	2022 AED '000
Vehicle murabaha	9,696,136	6,751,529
Goods murabaha	22,852,342	20,747,562
Share murabaha	12,494,133	14,136,965
Commodities murabaha – Al Khair	8,677,902	7,917,493
Islamic covered cards (murabaha)	7,694,314	5,884,218
Other murabaha	9,551,973	8,183,534
	<u>70,966,800</u>	<u>63,621,301</u>
Total murabaha		
Mudaraba	5,111,209	5,897,248
Wakala	3,819,872	4,034,965
Istisna'a	92,419	91,733
Other financing receivables	190,189	182,761
	<u>80,180,489</u>	<u>73,828,008</u>
Total murabaha and other Islamic financing		
Less: deferred income on murabaha	(10,753,070)	(8,944,510)
	<u>69,427,419</u>	<u>64,883,498</u>
Less: provision for impairment	(2,383,102)	(2,860,076)
	<u>67,044,317</u>	<u>62,023,422</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**17 Murabaha and other Islamic financing (continued)**

The distribution of the gross murabaha and other Islamic financing by industry sector and geographic region was as follows:

	2023 AED '000	2022 AED '000
<i>Industry sector:</i>		
Government	2,627,253	2,372,318
Public sector	9,901,507	9,131,037
Corporates	7,824,923	8,420,531
Financial institutions	5,480,880	6,010,207
Individuals	42,402,600	37,782,357
Small and medium enterprises	1,190,256	1,167,048
	<hr/> 69,427,419 <hr/>	<hr/> 64,883,498 <hr/>
<i>Geographic region:</i>		
UAE	52,172,504	45,893,698
Rest of the Middle East	6,184,559	6,841,932
Europe	2,956,416	2,123,992
Others	8,113,940	10,023,876
	<hr/> 69,427,419 <hr/>	<hr/> 64,883,498 <hr/>

**18 Ijara financing**

This represents net investment in assets leased for periods which either approximate or cover major parts of the estimated useful lives of such assets. The documentation includes a separate undertaking from the Bank to sell the leased assets to the lessee upon the maturity of the lease.

The aggregate future lease receivables are as follows:

	2023 AED '000	2022 AED '000
Ijara financing	50,741,625	48,483,660
Less: provision for impairment	(2,783,538)	(2,790,175)
	<hr/> 47,958,087 <hr/>	<hr/> 45,693,485 <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**18 Ijara financing (continued)**

The distribution of the gross ijara financing by industry sector and geographic region was as follows:

	2023 AED '000	2022 AED '000
<i>Industry sector:</i>		
Government	1,772,125	503,174
Public sector	6,384,383	7,783,149
Corporates	21,498,292	17,082,626
Individuals	20,689,980	22,869,778
Small and medium enterprises	203,505	170,935
Non-profit organisations	193,340	73,998
	<hr/>	<hr/>
	<b>50,741,625</b>	48,483,660
	<hr/> <hr/>	<hr/> <hr/>
<i>Geographic region:</i>		
UAE	49,190,106	44,885,205
Rest of the Middle East	971,771	1,505,463
Europe	6,357	707,614
Others	573,391	1,385,378
	<hr/>	<hr/>
	<b>50,741,625</b>	48,483,660
	<hr/> <hr/>	<hr/> <hr/>

**19 Investment in sukuk measured at amortised cost**

	2023 AED '000	2022 AED '000
Sukuk - Quoted	19,004,100	14,498,533
Less: provision for impairment	(122,551)	(128,242)
	<hr/>	<hr/>
	<b>18,881,549</b>	14,370,291
	<hr/> <hr/>	<hr/> <hr/>

The distribution of the gross investments by geographic region was as follows:

	2023 AED '000	2022 AED '000
UAE	10,573,633	9,201,049
Rest of the Middle East	6,371,362	4,059,864
Others	2,059,105	1,237,620
	<hr/>	<hr/>
	<b>19,004,100</b>	14,498,533
	<hr/> <hr/>	<hr/> <hr/>



**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**20 Investments measured at fair value**

	2023 AED '000	2022 AED '000
<i>Investments carried at fair value through profit or loss</i>		
Quoted investments		
Equities	33,956	27,691
Sukuk	1,982,758	1,633,584
	<hr/>	<hr/>
	2,016,714	1,661,275
	<hr/>	<hr/>
Unquoted sukuk	307,182	-
	<hr/>	<hr/>
	2,323,896	1,661,275
	<hr/>	<hr/>
<i>Investments carried at fair value through other comprehensive income</i>		
Quoted investments		
Equities	27,063	29,958
Sukuk	3,119,326	3,200,481
	<hr/>	<hr/>
	3,146,389	3,230,439
	<hr/>	<hr/>
Unquoted investments		
Sukuk	67,726	72,420
Funds	27,581	27,083
Private equities	110,787	104,460
	<hr/>	<hr/>
	206,094	203,963
	<hr/>	<hr/>
	3,352,483	3,434,402
	<hr/>	<hr/>
	5,676,379	5,095,677
Less: provision for impairment	(74,927)	(33,683)
	<hr/>	<hr/>
<b>Total investments measured at fair value</b>	<b>5,601,452</b>	<b>5,061,994</b>
	<hr/> <hr/>	<hr/> <hr/>

Unquoted sukuk carried at fair value through profit or loss includes financial assets acquired as part of settlement of an existing financing exposure that has been transferred to a new entity controlled by the financiers. The instrument is expected to be settled through sale of operating assets transferred to the new entity.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**20 Investments measured at fair value (continued)**

The distribution of the gross investments by geographic region was as follows:

	<b>2023</b> <b>AED '000</b>	2022 AED '000
UAE	<b>2,407,816</b>	2,486,822
Rest of the Middle East	<b>1,945,593</b>	1,747,898
Europe	<b>832</b>	809
Others	<b>1,322,138</b>	860,148
	<hr/> <b>5,676,379</b> <hr/>	<hr/> 5,095,677 <hr/>

**21 Investment in associates and joint ventures**

The movement in the carrying amount during the year was as follows:

	<b>2023</b> <b>AED '000</b>	2022 AED '000
At 1 January	<b>791,240</b>	1,620,378
Share of results	<b>76,121</b>	224,591
Additions for the year	-	49,934
Dividends received	<b>(16,250)</b>	(15,572)
Movement due to business combination	-	(1,084,096)
Foreign currency translation	<b>(1,621)</b>	(3,995)
	<hr/> <b>849,490</b> <hr/>	<hr/> 791,240 <hr/>
Less: provision for impairment	<b>(15,156)</b>	(15,156)
	<hr/> <b>834,334</b> <hr/>	<hr/> 776,084 <hr/>

The movement in the provision for impairment during the year was as follows:

	<b>2023</b> <b>AED '000</b>	2022 AED '000
At 1 January	<b>15,156</b>	16,000
Reversals for the year	-	(844)
	<hr/> <b>15,156</b> <hr/>	<hr/> 15,156 <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**21 Investment in associates and joint ventures (continued)**

Details of the Bank's investment in associates and joint ventures at 31 December is as follows:

	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
		<i>2023 %</i>	<i>2022 %</i>	
<i>Associates</i>				
Abu Dhabi National Takaful PJSC	UAE	42	42	Islamic insurance
Bosna Bank International D. D	Bosnia	27	27	Islamic banking
The Residential REIT (IC) Limited	UAE	29	29	Real estate fund
<i>Joint ventures</i>				
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	51	51	Islamic Retail Finance
Arab Link Money Transfer PSC (under liquidation)	UAE	51	51	Currency Exchange
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	51	Merchant acquiring

As of 31 December 2023, the Bank's share of the contingent liabilities and commitments of associates and joint ventures amounted to AED 63,558 thousand (2022: AED 43,906 thousand). The equity instruments of Abu Dhabi National Takaful PJSC are quoted in Abu Dhabi Securities Exchange, UAE and the quoted value of the Banks' share of investment at 31 December 2023 amounted to AED 262,485 thousand (2022: AED 240,611 thousand) and its carrying value as of 31 December 2023 amounted to AED 316,043 thousand (2022: AED 299,811 thousand).

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 22 Investment properties

The movement in investment properties balance during the year was as follows:

	Land AED '000	Other properties AED '000	Total AED '000
<b>2023</b>			
Cost:			
Balance at 1 January	989,876	510,178	1,500,054
Foreign currency translation	(225)	(296)	(521)
	<hr/>	<hr/>	<hr/>
Gross balance at 31 December	989,651	509,882	1,499,533
Less: provision for impairment	(106,203)	(13,044)	(119,247)
	<hr/>	<hr/>	<hr/>
Net balance at 31 December	883,448	496,838	1,380,286
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
Balance at 1 January	-	102,859	102,859
Charge for the year	-	14,657	14,657
	<hr/>	<hr/>	<hr/>
Balance at 31 December	-	117,516	117,516
	<hr/>	<hr/>	<hr/>
Net book value at 31 December	883,448	379,322	1,262,770
	<hr/>	<hr/>	<hr/>
<b>2022</b>			
Cost:			
Balance at 1 January	988,572	507,838	1,496,410
Movement due to business combination	1,304	1,333	2,637
Additions during the year	-	1,007	1,007
	<hr/>	<hr/>	<hr/>
Gross balance at 31 December	989,876	510,178	1,500,054
Less: provision for impairment	(106,208)	(13,044)	(119,252)
	<hr/>	<hr/>	<hr/>
Net balance at 31 December	883,668	497,134	1,380,802
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
Balance at 1 January	-	88,351	88,351
Charge for the year	-	14,508	14,508
	<hr/>	<hr/>	<hr/>
Balance at 31 December	-	102,859	102,859
	<hr/>	<hr/>	<hr/>
Net book value at 31 December	883,668	394,275	1,277,943
	<hr/>	<hr/>	<hr/>

The property rental income earned by the Group from its investment properties, that are leased out under operating leases, amounted to AED 38,030 thousand (2022: AED 36,716 thousand).

The fair values of investment properties at 31 December 2023 amounted to AED 1,550,816 thousand (2022: AED 1,561,752 thousand) are as per valuation conducted by professional valuers employed by a subsidiary of the Bank. The professional valuer is a member of various professional valuers' associations and has appropriate qualifications and experience in the valuation of properties in the UAE. The fair value of the properties has been determined either based on transactions observable in the market or valuation models.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**22 Investment properties (continued)**

The valuation methodologies considered by external valuers include:

- a) Comparison method: This method derives the value by analyzing recent sales transactions of similar properties in a similar location.
- b) Investment method: This method derives the value by converting the future cash flow to a single current capital value.

The movement in provision for impairment during the year was as follows:

	<b>Land AED '000</b>	<b>Other properties AED '000</b>	<b>Total AED '000</b>
At 1 January 2022	106,033	13,038	119,071
Charge for the year	175	6	181
	<hr/>	<hr/>	<hr/>
At 1 January 2023	<b>106,208</b>	<b>13,044</b>	<b>119,252</b>
Movement due to business combination	(5)	-	(5)
	<hr/>	<hr/>	<hr/>
At 31 December 2023	<b>106,203</b>	<b>13,044</b>	<b>119,247</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The distribution of investment properties by geographic region was as follows:

	<b>Land AED '000</b>	<b>Other properties AED '000</b>	<b>Total AED '000</b>
<b>2023:</b>			
UAE	<b>980,358</b>	<b>391,523</b>	<b>1,371,881</b>
Rest of the Middle East	<b>8,214</b>	-	<b>8,214</b>
Others	<b>1,079</b>	<b>843</b>	<b>1,922</b>
	<hr/>	<hr/>	<hr/>
	<b>989,651</b>	<b>392,366</b>	<b>1,382,017</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>2022:</b>			
UAE	980,358	406,052	1,386,410
Rest of the Middle East	8,214	-	8,214
Others	1,304	1,267	2,571
	<hr/>	<hr/>	<hr/>
	989,876	407,319	1,397,195
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**23 Development properties**

	<b>2023</b> <b>AED '000</b>	2022 AED '000
Development properties	<b>846,620</b>	837,381
Less: provision for impairment	<b>(123,680)</b>	(123,680)
	<hr/> <b>722,940</b> <hr/>	<hr/> 713,701 <hr/>

The movement in the provision for impairment during the year was as follows:

	<b>2023</b> <b>AED '000</b>	2022 AED '000
Balance at 1 January and 31 December	<b>123,680</b>	123,680

Development properties include land with a carrying value of AED 676,320 thousand (2022: AED 676,320 thousand) pertaining to a subsidiary of the Bank.

All development properties are located in the UAE.

**24 Other assets**

	<b>2023</b> <b>AED '000</b>	2022 AED '000
Acceptances	<b>655,161</b>	283,937
Assets acquired in satisfaction of claims	<b>94,594</b>	105,983
Trade receivables	<b>574,110</b>	478,476
Prepaid expenses	<b>1,039,018</b>	927,115
Accrued profit	<b>603,036</b>	429,482
Positive fair value of Shari'a compliant alternatives of derivative financial instruments (note 38)	<b>6,415</b>	8,897
Others, net	<b>1,313,833</b>	1,005,456
	<hr/> <b>4,286,167</b> <hr/>	<hr/> 3,239,346 <hr/>

Assets acquired in exchange for claims in order to achieve an orderly realization are recorded as "Assets acquired in satisfaction of claims". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the claim (net of provision for impairment) at the date of exchange.

Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)

25 Property and equipment

	Land AED '000	Buildings AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor vehicles AED '000	Capital work-in- progress AED '000	Right-of-use assets AED '000	Total AED '000
<i>2023</i>								
Cost or revaluation:								
<b>At 1 January</b>	<b>243,713</b>	<b>1,237,182</b>	<b>460,199</b>	<b>2,027,705</b>	<b>5,754</b>	<b>461,302</b>	<b>440,626</b>	<b>4,876,481</b>
Exchange differences / other adjustments	(1,560)	(90,097)	(1,412)	(35,319)	(361)	-	(82,365)	(211,114)
Additions	-	-	6,617	37,121	742	250,268	-	294,748
Transfers from capital work-in-progress	-	-	40,901	140,140	61	(181,102)	-	-
Disposals / write-offs	(377)	(947)	(1,270)	(4,729)	(16)	(72)	-	(7,411)
	<b>241,776</b>	<b>1,146,138</b>	<b>505,035</b>	<b>2,164,918</b>	<b>6,180</b>	<b>530,396</b>	<b>358,261</b>	<b>4,952,704</b>
Less: provision for impairment	-	(1,487)	-	-	-	-	-	(1,487)
<b>At 31 December</b>	<b>241,776</b>	<b>1,144,651</b>	<b>505,035</b>	<b>2,164,918</b>	<b>6,180</b>	<b>530,396</b>	<b>358,261</b>	<b>4,951,217</b>
Depreciation:								
<b>At 1 January</b>	-	<b>168,039</b>	<b>302,993</b>	<b>1,275,899</b>	<b>4,940</b>	-	<b>218,150</b>	<b>1,970,021</b>
Exchange differences / other adjustments	-	(1,814)	1,396	(24,854)	(184)	-	(92,782)	(118,238)
Charge for the year	-	37,873	47,012	156,012	459	-	65,111	306,467
Relating to disposals / write-offs	-	(560)	(1,244)	(3,203)	(16)	-	-	(5,023)
<b>At 31 December</b>	-	<b>203,538</b>	<b>350,157</b>	<b>1,403,854</b>	<b>5,199</b>	-	<b>190,479</b>	<b>2,153,227</b>
Net book value: At 31 December	<b>241,776</b>	<b>941,113</b>	<b>154,878</b>	<b>761,064</b>	<b>981</b>	<b>530,396</b>	<b>167,782</b>	<b>2,797,990</b>

Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)

25 Property and equipment (continued)

	Land AED '000	Buildings AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor vehicles AED '000	Capital work-in- progress AED '000	Right-of-use assets AED '000	Total AED '000
2022								
Cost or revaluation:								
At 1 January	235,878	784,441	402,294	1,689,071	5,919	429,590	387,274	3,934,467
Exchange differences / other adjustments	(2,086)	(7,002)	6,003	(63,010)	98	-	(15,988)	(81,985)
Additions	-	-	645	6,095	-	277,890	16,701	301,331
Movement due to business combination	9,921	458,505	9,652	198,978	2,282	-	66,141	745,479
Transfers from capital work-in-progress	-	1,238	43,337	201,603	-	(246,178)	-	-
Disposals / write-offs	-	-	(1,732)	(5,032)	(2,545)	-	(13,502)	(22,811)
	243,713	1,237,182	460,199	2,027,705	5,754	461,302	440,626	4,876,481
Less: provision for impairment	-	(1,487)	-	-	-	-	-	(1,487)
At 31 December	243,713	1,235,695	460,199	2,027,705	5,754	461,302	440,626	4,874,994
Depreciation:								
At 1 January	-	139,122	251,310	1,061,674	5,919	-	164,084	1,622,109
Exchange differences / other adjustments	-	(2,461)	3,522	(31,514)	(339)	-	(21,306)	(52,098)
Charge for the year	-	20,135	42,872	125,498	324	-	68,216	257,045
Movement due to business combination	-	11,243	7,000	125,226	1,581	-	9,636	154,686
Relating to disposals / write-offs	-	-	(1,711)	(4,985)	(2,545)	-	(2,480)	(11,721)
At 31 December	-	168,039	302,993	1,275,899	4,940	-	218,150	1,970,021
Net book value:								
At 31 December	243,713	1,067,656	157,206	751,806	814	461,302	222,476	2,904,973



## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 26 Goodwill and intangibles

	Other intangible assets				Total AED '000
	Goodwill AED '000	Customer relationships AED '000	Core deposit AED '000	License AED '000	
At 1 January 2022	109,888	30,357	6,090	-	146,335
Additions during the year (note 47)	216,488	-	282,329	366,220	865,037
Exchange translation differences	(45,510)	-	(59,351)	(76,986)	(181,847)
Amortisation during the year	-	(30,357)	(13,148)	-	(43,505)
At 1 January 2023	<b>280,866</b>	-	<b>215,920</b>	<b>289,234</b>	<b>786,020</b>
Exchange translation differences	(33,988)	-	(44,325)	(57,496)	(135,809)
Amortisation during the year	-	-	(14,873)	-	(14,873)
At 31 December 2023	<b>246,878</b>	-	<b>156,722</b>	<b>231,738</b>	<b>635,338</b>

#### *ADIB Egypt*

On 1 October 2022, ADIB Group assumed control over ADIB Egypt (refer to note 47).

#### *Retail business - Barclays*

On 6 April 2014, the Bank acquired retail banking business of Barclays Bank in the U.A.E. During the second quarter 2014, the acquisition was approved by the Central Bank of the UAE. Based on the purchase price allocation, the Bank has recognized AED 438,012 thousand as intangible asset and AED 109,888 as goodwill.

#### **Goodwill**

For the purpose of impairment testing, goodwill is allocated to the Bank's operating divisions which represent the lowest level within the Bank at which the goodwill is monitored for internal management purposes.

#### **Impairment assessment of goodwill**

##### *Retail business - Barclays*

No impairment losses on goodwill were recognised during the year ended 31 December 2023 (2022: Nil).

The recoverable amounts have been assessed based on their value in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of this operating division.

The recoverable amount of goodwill of cash generating unit, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% (2022: 2%) applied thereafter. The forecast cash flows have been discounted at a rate of 9.8% (2022: 10.6%).

Management conducted a sensitivity analysis which took into account a one percentage point change in the discount rate and terminal growth rate. The carrying value will surpass the recoverable amount with these potential changes in key assumptions.

Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)

27 Due to financial institutions

	2023 AED '000	2022 AED '000
Current accounts	1,513,821	1,760,078
Investment deposits	1,009,634	1,059,566
	<hr/>	<hr/>
Current account – Central Bank of UAE	2,523,455 31,549	2,819,644 14,598
	<hr/>	<hr/>
	<b>2,555,004</b>	<b>2,834,242</b>
	<hr/> <hr/>	<hr/> <hr/>

The distribution of due to financial institutions by geographic region was as follows:

	2023 AED '000	2022 AED '000
UAE	1,028,171	1,112,951
Rest of the Middle East	611,007	393,426
Europe	54,394	31,498
Others	861,432	1,296,367
	<hr/>	<hr/>
	<b>2,555,004</b>	<b>2,834,242</b>
	<hr/> <hr/>	<hr/> <hr/>

28 Depositors' accounts

	2023 AED '000	2022 AED '000
Current accounts	47,179,358	40,719,859
Saving accounts	55,402,458	53,166,801
Investment accounts	53,725,866	43,536,936
Investment risk reserve	759,312	713,007
	<hr/>	<hr/>
	<b>157,066,994</b>	<b>138,136,603</b>
	<hr/> <hr/>	<hr/> <hr/>

The movement in the investment risk reserve during the year was as follows:

	2023 AED '000	2022 AED '000
At 1 January	713,007	723,445
Share of profit for the year	46,305	3,375
Paid during the year	-	(13,813)
	<hr/>	<hr/>
At 31 December	<b>759,312</b>	<b>713,007</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**28 Depositors' accounts (continued)**

The distribution of the gross depositors' accounts by industry sector, geographic region and currency was as follows:

	2023 AED '000	2022 AED '000
<b>Industry sector:</b>		
Government	26,239,028	21,302,897
Public sector	6,217,852	10,881,169
Corporates	14,900,280	8,077,548
Financial institutions	2,053,840	1,724,141
Individuals	88,298,701	80,889,684
Small and medium enterprises	16,590,630	12,771,531
Non-profit organisations	2,766,663	2,489,633
	<hr/>	<hr/>
	<b>157,066,994</b>	<b>138,136,603</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Geographic region:</b>		
UAE	136,991,930	119,721,787
Rest of the Middle East	2,941,776	2,112,653
Europe	496,814	493,877
Others	16,636,474	15,808,286
	<hr/>	<hr/>
	<b>157,066,994</b>	<b>138,136,603</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Currencies:</b>		
UAE Dirham	118,775,827	100,350,861
US Dollar	22,715,161	23,396,275
Euro	1,262,177	1,213,284
Sterling Pound	699,711	790,002
Others	13,614,118	12,386,181
	<hr/>	<hr/>
	<b>157,066,994</b>	<b>138,136,603</b>
	<hr/> <hr/>	<hr/> <hr/>

The Bank invests all of its investment accounts including saving accounts, adjusted for UAE, Egypt, Iraq and Sudan Central Bank reserve requirements and the Group's liquidity requirements.

With respect to investment deposits, the Bank is liable only in case of misconduct, negligence or breach of contract otherwise it is on the account of the fund's provider (Rab Al Mal) or the principal (the Muwakkil).

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**29 Other liabilities**

	2023 AED '000	2022 AED '000
Accounts payable	398,318	447,035
Acceptances	655,161	283,937
Lease liabilities	180,637	233,786
Accrued profit for distribution to depositors and sukuk holders	408,310	183,718
Bankers' cheques	856,609	462,354
Provision for staff benefits and other expenses	586,367	570,905
Retentions payable	29,198	10,502
Advances from customers	58,362	57,013
Accrued expenses	314,905	314,448
Unclaimed dividends	-	90,179
Deferred income	278,359	201,418
Charity account	7,014	592
Donation account	11,720	15,054
Negative fair value of Shari'a compliant alternatives of derivative financial instruments (note 38)	-	5,950
Others	1,341,616	1,208,685
	<u>5,126,576</u>	<u>4,085,576</u>

**30 Sukuk financing instrument**

	2023 AED '000	2022 AED '000
Sukuk financing instrument	1,836,250	-
	<u>1,836,250</u>	<u>-</u>

In November 2023, the Bank through a AAOIFI Shari'a compliant sukuk arrangement, raised medium term green sukuk amounting to AED 1,836,250 thousand (USD 500 million) under a USD 5 billion programme. The sukuk are listed on the London Stock Exchange's International Securities Market (ISM) and the Abu Dhabi Securities Exchange (ADX). The sukuk will mature in November 2028. The sukuk deserved rental proceeds are distributed in accordance with expected profit rate.

**Terms of arrangement**

The terms of the arrangement include transfer of the ownership of certain assets (the "Ijarah Assets"), from identified ijara financing assets in the portfolio of the Bank, to a sukuk company, ADIB Sukuk Company II Ltd - the Issuer, a subsidiary of the Bank, specially formed for the sukuk transaction. The assets are owned by the Sukuk holders, however the assets are controlled by the Bank and shall continue to be serviced by the Bank as the Servicing agent.

The issuer will pay the quarterly distribution amount from rental proceeds generated and received from the Ijarah Assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to the sukuk holders on the quarterly distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the Ijarah Assets at an exercise price, specified in the relevant Purchase Undertaking.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**31 Share capital**

	<b>2023</b>	2022
	<b>AED '000</b>	AED '000
<i>Authorised share capital:</i>		
4,000,000 thousand (2022: 4,000,000 thousand)		
ordinary shares of AED 1 each (2022: AED 1 each)	<b>4,000,000</b>	4,000,000
	<hr/>	<hr/>
<i>Issued and fully paid share capital:</i>		
3,632,000 thousand (2022: 3,632,000 thousand)		
ordinary shares of AED 1 each (2022: AED 1 each)	<b>3,632,000</b>	3,632,000
	<hr/>	<hr/>

**32 Reserves**

**32.1 Legal reserve**

As required by the Federal Law No. 32 of 2021, concerning Commercial Companies and the Articles of Association of the Bank and its subsidiaries, 10% of the profit for the year is transferred to the legal reserve. The Bank shall resolve to discontinue such annual transfers as the reserve equals to or more than 50% of the paid up share capital of the Bank. The legal reserve is not available for distribution to the shareholders.

As per Article 203 of UAE Federal Commercial Companies Law No. 8 of 1984, the Bank has transferred the share premium amounting to AED 1,529,412 thousand to the legal reserve. As the balance of the reserve exceeds 50% of the total paid up share capital, no transfer to the legal reserve has been made from the profit during the year for the Bank.

During 2018, the Bank has transferred the share premium amounting to AED 538,240 thousand pertaining to the right share issue of 464,000 to the legal reserve after the shareholders' approval in the General Assembly meeting held on 19 August 2018.

During 2015, the Bank has transferred the share premium amounting to AED 336,000 thousand pertaining to the right share issue of 168,000 to the legal reserve after the shareholders' approval in the Extra Ordinary General meeting held on 28 June 2015.

**32.2 General reserve**

Under Article 49(2) of the Bank's Articles of Association, the Annual General Assembly of the Bank, upon recommendation of the Board of Directors, have resolved to transfer 10% of the profit for the year to the general reserve. This reserve shall be used in the future for purposes determined by the shareholders' General Assembly upon the recommendation of the Board of Directors.

**32.3 Credit risk reserve**

Upon the recommendation of the Board of Directors, the Bank has established a special reserve for credit risk which is subject to the approval by the shareholders in the Annual General Assembly. Contributions to the reserve are voluntary.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**33 Dividend**

During 2023, cash dividend of 49.0% of the paid up capital relating to year ended 31 December 2022 amounting to AED 1,779,312 thousand, was paid after the approval by the shareholders at the Annual General Assembly held on 6<sup>th</sup> March 2023.

Cash dividend of 71.46% of the paid up capital relating to year ended 31 December 2023 amounting to AED 2,595,469 thousand has been proposed by the Board of Directors for the approval by the shareholders at the forthcoming Annual General Assembly.

**34 Other reserves**

	Cumulative changes in fair values AED '000	Land revaluation reserve AED '000	Foreign currency translation reserve AED '000	Hedging reserve AED '000	Impairmen t reserve - Specific AED '000	Impairmen t reserve - General AED '000	Others AED '000	Total AED '000
At 1 January 2022	(185,025)	137,400	(860,399)	(846)	255,839	398,405	-	(254,626)
Net movement in valuation of equity investment carried at FVTOCI	7,251	-	-	-	-	-	-	7,251
Net movement in valuation of investment in sukuk carried at FVTOCI	(285,907)	-	-	-	-	-	-	(285,907)
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	187	-	-	-	-	-	-	187
Exchange differences arising on translation of foreign operations	-	-	18,424	-	-	-	-	18,424
Gain on hedge of foreign operations	-	-	3,995	-	-	-	-	3,995
Fair value gain on cash flow hedges	-	-	-	846	-	-	-	846
Net movement in impairment reserve – Specific	-	-	-	-	64,261	-	-	64,261
Net movement in impairment reserve – General	-	-	-	-	-	(119,078)	-	(119,078)
<b>At 1 January 2023</b>	<b>(463,494)</b>	<b>137,400</b>	<b>(837,980)</b>	<b>-</b>	<b>320,100</b>	<b>279,327</b>	<b>-</b>	<b>(564,647)</b>
Net movement in valuation of equity investment carried at FVTOCI	17,769	-	-	-	-	-	-	17,769
Net movement in valuation of investment in sukuk carried at FVTOCI	46,919	-	-	-	-	-	-	46,919
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	3,608	-	-	-	-	-	-	3,608
Loss on disposal of investments carried at FVTOCI	5,215	-	-	-	-	-	-	5,215
Exchange differences arising on translation of foreign operations	-	-	(245,193)	-	-	-	-	(245,193)
Loss on hedge of foreign operations	-	-	(2,249)	-	-	-	-	(2,249)
Fair value gain on cash flow hedges	-	-	-	2,064	-	-	-	2,064
Net movement in impairment reserve – Specific	-	-	-	-	(112,427)	-	-	(112,427)
Net movement in impairment reserve – General	-	-	-	-	-	(235,631)	-	(235,631)
Net movement in other reserves	-	-	-	-	-	-	(10,420)	(10,420)
<b>At 31 December 2023</b>	<b>(389,983)</b>	<b>137,400</b>	<b>(1,085,422)</b>	<b>2,064</b>	<b>207,673</b>	<b>43,696</b>	<b>(10,420)</b>	<b>(1,094,992)</b>

**35 Tier 1 sukuk**

	2023 AED '000	2022 AED '000
Tier 1 sukuk – Listed (second issue)	-	2,754,375
Tier 1 sukuk – Listed (third issue)	2,754,375	-
Tier 1 sukuk – Government of Abu Dhabi	2,000,000	2,000,000
	<b>4,754,375</b>	<b>4,754,375</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****35 Tier 1 sukuk (continued)****Tier 1 sukuk – Listed (second issue)**

On 20 September 2018, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk – Listed (second issue) (the "Sukuk") amounting to AED 2,754,375 thousand (USD 750 million). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Extraordinary General Meeting held on 19 August 2018. Issuance costs amounting to AED 19,373 thousand were incurred at the time of issuance.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank upon its conclusion subject to the terms and conditions of the mudaraba. The sukuk is listed on the Irish stock exchange and is callable by the Bank after period ending on 20 September 2023 (the "First Call Date") or any achieved profit payment date thereafter subject to certain conditions. The Sukuk bear an expected mudaraba profit rate of 7.125%, such achieved profit is payable during the initial period of five years semi-annually in arrears. After the initial period, and for every 5<sup>th</sup> year thereafter, resets to a new expected mudaraba profit rate based on the then 5 year US treasury rate plus an expected margin of 4.270%. Profit distributions will be reported in the consolidated statement of changes in equity.

The Bank may, at its sole discretion, elect not to make any mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of the next following payment of expected mudaraba profit distribution.

The Bank redeemed all the Sukuk on the first call date, i.e. 20 September 2023.

**Tier 1 sukuk – Listed (third issue)**

On 18 July 2023, the Bank through a Shari'a compliant sukuk arrangement has issued Tier 1 sukuk – Listed (third issue) (the "Sukuk") amounting to AED 2,754,375 thousand (USD 750 million). This Sukuk was issued under the authorities approved by the shareholders of the Bank in the Annual General Meeting held on 06 March 2023. Issuance costs amounting to AED 12,305 thousand were incurred at the time of issuance.

This Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank upon its conclusion subject to the terms and conditions of the mudaraba. The sukuk is listed on the London Stock Exchange's International Securities Market (ISM) and is callable by the Bank after period ending on 18 January 2029 (the "First Call Date") or any achieved profit payment date thereafter subject to certain conditions. The Sukuk bear an expected mudaraba profit rate of 7.25%, such achieved profit is payable during the initial period of five and half years semi-annually in arrears. After the initial period, and for every 5<sup>th</sup> year thereafter, resets to a new expected mudaraba profit rate based on the then 5.5 year US treasury rate plus an expected margin of 3.059%. Profit distributions will be reported in the consolidated statement of changes in equity.

The Bank may, at its sole discretion, elect not to make any mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of the next following payment of expected mudaraba profit distribution.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****35 Tier 1 sukuk (continued)****Tier 1 sukuk – Government of Abu Dhabi**

On 16 April 2009, under the Government of Abu Dhabi Bank capitalisation programme, the Bank has issued Tier 1 sukuk (the "Sukuk-Gov") to the Department of Finance of the Government of Abu Dhabi, with a principal investment amount of AED 2,000,000 thousand. Issuance of this Sukuk-Gov was approved by the shareholders of the Bank in the Extraordinary General Meeting held on 22 March 2009.

On 15 December 2021, amended and restated Mudaraba Agreement was signed to make the Sukuk-Gov compliant with Basel 3.

This Sukuk-Gov is a perpetual security in respect of which there is no fixed redemption date and constitute direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba. Based on the amended and restated Mudaraba Agreement dated 15 December 2021, the Sukuk-Gov is callable by the Bank after period ending on 16 April 2027 (the "Call Date") or any achieved profit payment date thereafter subject to certain conditions.

The Sukuk-Gov had an expected mudaraba profit rate of 6% payable during the initial period of five years semi-annually in arrears. The initial period of five years ended on 16 April 2014. After the initial period, Sukuk-Gov bear an expected variable mudaraba profit rate payable of 6 months EIBOR plus an expected margin of 2.3%. Profit distributions will be reported in the consolidated statement of changes in equity. No changes were made to expected mudaraba profit rates under the amended and restated Mudaraba Agreement dated 15 December 2021.

The Bank may, at its sole discretion, elect not to make any Mudaraba profit distributions as expected and the event is not considered an event of default. If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Sukuk except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until the occurrence of two consecutive expected mudaraba profit distribution.

**36 Non-controlling interest**

Non-controlling interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of subsidiaries.



## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 37 Contingent liabilities and commitments

Credit related commitments include commitments to extend Islamic credit facilities, standby letters of credit, guarantees, which are designed to meet the requirements of the Bank's customers.

Commitments to extend Islamic credit facilities represent contractual commitments under Islamic financing contracts. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of contracts.

The Bank has the following credit related contingencies, commitments and other capital commitments:

	2023 AED '000	2022 AED '000
<b><i>Contingent liabilities</i></b>		
Letters of credit	3,374,592	3,457,528
Letters of guarantee	9,295,832	8,125,921
	<hr/>	<hr/>
	12,670,424	11,583,449
	<hr/>	<hr/>
<b><i>Commitments</i></b>		
Undrawn facilities commitments	1,466,162	730,218
Future capital expenditure	191,484	120,778
	<hr/>	<hr/>
	1,657,646	850,996
	<hr/>	<hr/>
	14,328,070	12,434,445
	<hr/> <hr/>	<hr/> <hr/>

### 38 Shari'a compliant alternatives of derivative financial instruments

Shari'a compliant alternatives of swaps are based on a unilateral Wa'ad (promise) structure between two parties to buy a specific Shari'a compliant commodity at an agreed price on an agreed date in future. It is a conditional promise to purchase a commodity through a unilateral purchase undertaking. For Shari'a compliant alternatives of swap, counter parties enter into two separate and independent Murabaha transactions, the results of which are exchanged between them in a manner that enables one of them to receive the equivalent of the fixed reference rate and the other counterparty to receive the equivalent of the reference floating rate, where the profit payments are based on a notional value in a single currency.

The table below shows the fair values of Shari'a compliant alternatives of derivative financial instruments, together with the notional amounts analysed by term of maturity. The notional amount is based on the amount of the underlying transaction, reference rate or index and is the basis upon which changes in the value of transactions are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are neither indicative of the market risk nor credit risk.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 38 Shari'a compliant alternatives of derivative financial instruments (continued)

	Positive fair value AED '000	Negative fair value AED '000	Notional amount AED '000	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000
<i>31 December 2023: Notional amount by term to maturity</i>							
Shari'a compliant alternatives of swap (note 24, 29)	6,415	-	10,875,926	8,321,480	2,497,596	56,850	-
<i>31 December 2022: Notional amount by term to maturity</i>							
Shari'a compliant alternatives of swap (note 24, 29)	8,897	5,950	10,773,565	5,975,967	2,508,284	1,697,017	592,297

### 39 Zakat

As the Bank is not required to pay Zakat by laws or by its Articles and Memorandum of Association or by a decision of the General Assembly, accordingly the responsibility of paying Zakat is that of the shareholders. Based on the management valuation of the Bank's net assets, which are subject to Zakat, the total Zakat amount, for Zakat purposes based on Gregorian year, was estimated at AED 414,198 thousand (2022: AED 358,523 thousand) and accordingly, Zakat amount is estimated at AED 0.1140414 (2022: AED 0.0987123) per outstanding share.

However, in few jurisdictions, Zakat of the Bank's branches and subsidiaries is mandatory by laws to be paid to a governmental entity responsible for Zakat, therefore, the Bank acts accordingly to these laws and pays the Zakat to these entities on behalf of the Shareholders and deducts the amount paid as Zakat from the total Zakat amount above and accordingly adjusted the Zakat amount per each outstanding share.

Non-controlling interest Zakat amount, based on Gregorian year, was estimated at AED 22,806 thousand (2022: AED 19,882 thousand) and accordingly, Zakat amount is estimated at AED 0.0204796 (2022: AED 0.0202848) per each AED dirham invested by Non-controlling interest in the Group.

Tier 1 Sukuk Zakat amount, based on Gregorian year, was estimated at AED 97,368 thousand (2022: AED 97,628 thousand) and accordingly, Zakat amount is estimated at AED 0.0204796 (2022: AED 0.0205343) per each AED dirham invested in Tier 1 Sukuk.

To assist the investors in ADIB Tier 1 Sukuk, the Bank has calculated their above Zakat amount. The payment of such Zakat amount is solely the responsibility of the investors in these Tier 1 Sukuk.

### 40 Cash and cash equivalents

	2023 AED '000	2022 AED '000
Cash and balances with central banks, short term	7,864,883	7,127,886
Balances and wakala deposits with Islamic banks and other financial institutions, short term	7,389,066	852,018
Murabaha and mudaraba with financial institutions, short term	25,989	-
Due to financial institutions, short term	(2,552,630)	(2,873,209)
	<b>12,727,308</b>	<b>5,106,695</b>

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 41 Related party transactions

In the ordinary course of its activities, the Bank enters into transactions with related parties, comprising major shareholders, directors, associates and joint ventures, key management and their related concerns. The Bank obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on the Bank's assessment of the credit risk of the related party. During 2021, related party financing were renegotiated based on the terms approved by the Board of Directors and are free of any specific provision for impairment. Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

During the year, significant transactions with related parties included in the consolidated income statement were as follows:

	Major shareholder AED '000	Directors AED '000	Associates and joint ventures AED '000	Others AED '000	Total AED '000
<b>31 December 2023</b>					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	1,346	-	1,346
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	41,986	-	6,423	98,407	146,816
Fees and commission income, net	1	4	103	4,157	4,265
Operating expenses	-	546	-	-	546
Distribution to depositors and sukuk holders	4,899	402	2,960	3	8,264
<b>31 December 2022</b>					
Income from murabaha, mudaraba and wakala with financial institutions	-	-	18,486	-	18,486
Income from murabaha, mudaraba, ijara and other Islamic financing from customers	41,986	-	9,545	88,009	139,540
Fees and commission income, net	-	-	79	1,689	1,768
Operating expenses	-	522	-	-	522
Distribution to depositors and sukuk holders	207	-	763	4	974

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 41 Related party transactions (continued)

The related party balances included in the consolidated statement of financial position were as follows:

	Major shareholder AED '000	Directors AED '000	Associates and joint ventures AED '000	Others AED '000	Total AED '000
<i>31 December 2023</i>					
Murabaha and mudaraba with financial institutions	-	-	50,146	-	50,146
Murabaha, mudaraba, ijara and other Islamic financing	2,046,100	-	-	4,155,645	6,201,745
Other assets	-	-	227,288	-	227,288
	<u>2,046,100</u>	<u>-</u>	<u>277,434</u>	<u>4,155,645</u>	<u>6,479,179</u>
Due to financial institutions	-	-	742	-	742
Depositors' accounts	918,302	16,649	337,717	22,836	1,295,504
Other liabilities	3,415	-	146	4	3,565
	<u>921,717</u>	<u>16,649</u>	<u>338,605</u>	<u>22,840</u>	<u>1,299,811</u>
Contingencies	-	-	10,000	62,825	72,825
<i>31 December 2022</i>					
Murabaha and mudaraba with financial institutions	-	-	45,162	-	45,162
Murabaha, mudaraba, ijara and other Islamic financing	2,040,472	-	-	4,145,358	6,185,830
Other assets	-	-	220,881	-	220,881
	<u>2,040,472</u>	<u>-</u>	<u>266,043</u>	<u>4,145,358</u>	<u>6,451,873</u>
Due to financial institutions	-	-	610	-	610
Depositors' accounts	62	6,312	257,402	13,634	277,410
Other liabilities	-	-	141	2	143
	<u>62</u>	<u>6,312</u>	<u>258,153</u>	<u>13,636</u>	<u>278,163</u>
Contingencies	-	-	10,500	100,305	110,805

### Compensation of key management personnel

The compensation of key management personnel during the year was as follows:

	2023 AED '000	2022 AED '000
Salaries and other benefits	31,216	28,976
Employees' end of service benefits	2,705	1,924
	<u>33,921</u>	<u>30,900</u>

During 2023, AED 16,100 thousand was paid to Board of Directors pertaining to the year ended 31 December 2022 after the approval by the shareholders in the Annual General Assembly held on 6 March 2023.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****42 Segment information**

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision makers of the Bank in order to allocate resources to the segment and to assess its performance. Information reported to the chief operating decision makers for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to the different markets.

Global Retail banking - Principally handling small and medium businesses and individual customers' deposits, providing consumer and commercial murabahaat, Ijara, Islamic covered card and funds transfer facilities and trade finance facilities.

Global Wholesale banking – Principally handling financing and other credit facilities and deposits and current accounts for corporate and institutional customers.

Private banking - Principally handling financing and other credit facilities, deposits and current accounts for high net worth individual customers.

Treasury – Principally handling money market, trading and treasury services, as well as the management of the Bank's funding operations by use of investment deposits.

Real estate – Subsidiaries of the Bank handling the acquisition, selling, development and leasing including both land and buildings, management and resale of properties and all associated activities.

Associates and Subsidiaries – Include Banks subsidiaries (not included above), associates and joint ventures, operating within and outside UAE.

Other operations - Other operations comprises mainly of Head Office including unallocated costs.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**42 Segment information (continued)**

Business segments information for the year ended 31 December 2023 were as follows:

	Global retail banking AED '000	Global wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Associates & subsidiaries AED '000	Total AED '000
<b>Revenue and results</b>								
Segment revenues, net	4,926,468	1,377,757	254,361	331,032	137,546	833,667	1,432,771	9,293,602
Operating expenses excluding provision for impairment, net	(2,029,072)	(281,705)	(85,518)	(46,951)	(66,639)	(156,948)	(394,410)	(3,061,243)
Operating profit	2,897,396	1,096,052	168,843	284,081	70,907	676,719	1,038,361	6,232,359
Provision for impairment, net	(217,501)	(199,417)	(182)	(94,918)	-	(24,044)	(224,199)	(760,261)
<b>Profit for the year before zakat and tax</b>	2,679,895	896,635	168,661	189,163	70,907	652,675	814,162	5,472,098
Zakat and tax	-	(23,613)	(6,214)	-	-	-	(190,922)	(220,749)
<b>Profit for the year after zakat and tax</b>	2,679,895	873,022	162,447	189,163	70,907	652,675	623,240	5,251,349
Non-controlling interest	-	-	-	-	-	-	(251,088)	(251,088)
Profit for the year attributable to equity holders of the Bank	2,679,895	873,022	162,447	189,163	70,907	652,675	372,152	5,000,261
<b>Assets</b>								
Segmental assets	71,215,922	50,977,909	4,915,320	37,762,804	1,969,132	4,031,755	21,954,350	192,827,192
<b>Liabilities</b>								
Segmental liabilities	93,732,304	35,287,280	12,970,872	3,247,988	82,183	3,270,285	17,993,912	166,584,824

The following is the analysis of the total segment revenues of each segment between revenues from external parties and inter-segment:

<b>31 December 2023</b>								
Segment revenues, net	3,889,039	1,987,403	(184,628)	1,830,902	137,546	200,569	1,432,771	9,293,602
Inter-segment revenues, net	1,037,429	(609,646)	438,989	(1,499,870)	-	633,098	-	-
Total Segment revenues, net	4,926,468	1,377,757	254,361	331,032	137,546	833,667	1,432,771	9,293,602

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**42 Segment information (continued)**

Business segments information for the year ended 31 December 2022 were as follows:

	Global retail banking AED '000	Global wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Associates & subsidiaries AED '000	Total AED '000
<b>Revenue and results</b>								
Segment revenues, net	3,540,421	1,037,801	173,016	641,390	62,330	638,381	741,747	6,835,086
Operating expenses excluding provision for impairment, net	(1,809,154)	(275,499)	(69,725)	(42,560)	(56,310)	(44,330)	(89,142)	(2,386,720)
Operating profit	1,731,267	762,302	103,291	598,830	6,020	594,051	652,605	4,448,366
Provision for impairment, net	(124,624)	(289,785)	(29,480)	(25,613)	-	(186,906)	(112,448)	(768,856)
<b>Profit for the year before zakat and tax</b>	1,606,643	472,517	73,811	573,217	6,020	407,145	540,157	3,679,510
Zakat and tax	-	(12,397)	(5,429)	-	-	-	(42,647)	(60,473)
<b>Profit for the year after zakat and tax</b>	1,606,643	460,120	68,382	573,217	6,020	407,145	497,510	3,619,037
Non-controlling interest	-	-	-	-	-	-	(31,851)	(31,851)
Profit for the year attributable to equity holders of the Bank	1,606,643	460,120	68,382	573,217	6,020	407,145	465,659	3,587,186
<b>Assets</b>								
Segmental assets	60,893,474	47,491,618	4,533,618	30,423,008	2,055,432	3,226,222	19,893,719	168,517,091
<b>Liabilities</b>								
Segmental liabilities	83,076,924	27,182,626	11,929,262	4,423,763	241,040	2,861,446	15,341,360	145,056,421

The following is the analysis of the total segment revenues of each segment between revenues from external parties and inter-segment:

<b>31 December 2022</b>								
Segment revenues, net	3,138,119	1,326,107	75,623	1,011,156	62,330	480,004	741,747	6,835,086
Inter-segment revenues, net	402,302	(288,306)	97,393	(369,766)	-	158,377	-	-
Total Segment revenues, net	3,540,421	1,037,801	173,016	641,390	62,330	638,381	741,747	6,835,086

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**42 Segment information (continued)**

**Geographical information**

The Group operates in two principal geographic areas that are domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the U.A.E. branches, associates and subsidiaries; and international area represents the operations of the Bank that originates from its branches in Iraq, Qatar and Sudan and through its subsidiaries and associates outside U.A.E.

	2023			2022		
	Domestic AED '000	International AED '000	Total AED '000	Domestic AED '000	International AED '000	Total AED '000
<b>Revenue and results</b>						
Segment revenues, net	7,777,556	1,516,046	9,293,602	6,389,299	445,787	6,835,086
Operating expenses excluding provision for impairment, net	(2,633,894)	(427,349)	(3,061,243)	(2,262,587)	(124,133)	(2,386,720)
Operating profit	5,143,662	1,088,697	6,232,359	4,126,712	321,654	4,448,366
Provision for impairment, net	(546,672)	(213,589)	(760,261)	(719,290)	(49,566)	(768,856)
Profit for the year before zakat and tax	4,596,990	875,108	5,472,098	3,407,422	272,088	3,679,510
Zakat and tax	-	(220,749)	(220,749)	-	(60,473)	(60,473)
Profit for the year after zakat and tax	4,596,990	654,359	5,251,349	3,407,422	211,615	3,619,037
Non-controlling interest	(2,799)	(248,289)	(251,088)	(1,967)	(29,884)	(31,851)
<b>Profit for the year attributable to equity holders of the Bank</b>	<b>4,594,191</b>	<b>406,070</b>	<b>5,000,261</b>	<b>3,405,455</b>	<b>181,731</b>	<b>3,587,186</b>
<b>Assets</b>						
Segmental assets	166,892,359	25,934,833	192,827,192	146,584,267	21,932,824	168,517,091
<b>Liabilities</b>						
Segmental liabilities	145,854,777	20,730,047	166,584,824	128,534,644	16,521,777	145,056,421



## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management

#### 43.1 Introduction

The core business of a bank is to manage risk and provide returns to the shareholders in line with the accepted risk profile. Risk is inherent in all of the Group's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls in accordance with regulatory and Board requirements. The Group is exposed principally to credit risk, liquidity risk, market risk and operational risk but other risks such as reputational risk, legal risk and the various risks defined by the Basel accord are also monitored and managed.

##### 43.1.1 Risk management governance structure

The Board of Directors ("Board") continues to have overall responsibility for the establishment and oversight of the Bank's risk management framework, as well as for approving the Bank's overall risk appetite, and ensuring that business is conducted within this framework. The Board is the ultimate sanctioning authority. During Q4 2023, the Board Charter and Board Committees charters were comprehensively refreshed. These are the Nomination and Compensation Committee, Audit Committee, Risk Committee, Credit and Investment Committee and Strategy Committee. The Board also approved the formation of the ESG Committee which will be operational in 2024. The Board also approved the refreshed Corporate Governance Framework and Core Directors Policies during Q4 2023.

##### *Strategy Committee*

The Strategy Committee is appointed by the Board and is responsible to guide the Group's Executive Management to develop the Group's strategic objectives and business strategy, conduct periodic review of the achievement of strategic objectives and business plans and direct corrective actions wherever required. In addition, this committee also acts as a conduit between the Board and senior management on business issues.

##### *Credit and Investment Committee*

The Credit and Investment Committee is appointed by the Board and is responsible for the approvals of the Group's risk exposures, high value transactions and major items of capital expenditure. In addition, the Committee is also responsible for monitoring credit portfolio quality and provisions.

##### *Risk Committee*

The Risk Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in respect of the following for the Bank and all of its subsidiaries and material affiliates:

- Review the risk profile of the Group keeping in view the requirement pertaining to enterprise risk management and to make recommendations to calibrate the risk profile of the Group in line with the applicable regulatory requirements, rating considerations and business strategy.
- Assist the Board in overseeing the Group's response to the risks it faces through the approval of the Group's risk policies and standards; and
- Review and recommend the corporate governance and risk management frameworks and risk strategy to the Board in alignment with the business growth requirements of the Group.

##### *Audit Committee*

The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in respect of the following for the Bank and all its subsidiaries and material affiliates:

- Ensuring the integrity of the Group's consolidated financial statements and financial reporting process;
- To review the financial and internal control systems, quality assurance and risk management framework;
- To review the performance of the internal audit function;
- To review the internal controls over financial reporting and annual independent audit of the Group's consolidated financial statements;
- To recommend to the Board the engagement of the external auditors and evaluation of their qualifications, independence and performance; and
- To ensure compliance by the Group with legal and regulatory requirements as pertaining to its business activities.

The duties and responsibilities of the committees are governed by formally approved charters.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.1 Introduction (continued)

##### 43.1.2 The Group Risk Management (“GRM”)

The Group Risk Management (GRM) is an independent risk organization that works in close partnership with the business units to support their activities, whilst safeguarding the risk profile of the Group as the second line of defense. The GRM is led by the Group Chief Risk Officer (GCRO) and has following main responsibilities:

- Ensure maintenance of an appropriate risk management framework and adherence to risk policies and procedures across the Group
- Ensure compliance with risk-related legal and regulatory guidelines in the UAE and in our overseas markets
- Maintain the primary relationship with local regulators with respect to risk-related issues
- Maintain prudent risk control systems, models and processes, and
- Ensure a robust credit process is maintained in support of all business lines.

Reporting to the GCRO are senior, experienced risk specialists who manage specific areas of risk, including Wholesale Banking, Private Banking, Retail Banking, Operational Risk, Credit Control, Risk Governance and Policy, Enterprise Risk Management and Market Risk. GRM responsibilities extend across all the business units of the Bank in all of the geographies in which the Bank operates.

##### 43.1.3 Risk measurement and reporting systems

In order to effectively monitor and control risks, the GRM maintains a capability that allows it to:

- Prepare portfolio reports across a range of indicators such as portfolio concentrations by geography, industry type, product and risk rating, which are used to analyse and monitor overall portfolio quality;
- Monitor the integrity and consistency of data, including risk ratings, risk migrations, exposures and losses, including the maintenance of a central loss database for the monitoring and analysis of losses;
- Set parameters to be used for the calculation of expected loss and risk capital requirements;
- Consolidate portfolio management data and reports for use by Executive Management and the Board; and
- Establish and maintain a set of early warning indicators to identify emerging risks.

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

The Group actively uses collateral to reduce its credit risks.

##### 43.1.4 The Group Credit Management (“GCM”)

The Group Credit Management (GCM) is independent of Group Risk Management (GRM). The main function of GCM is to provide an independent view while approving commercial and consumer financing transactions within delegated authorities. The GCM is led by the Group Chief Credit Officer (GCCO).

##### *Credit Committee*

All customer related business proposals are reviewed and approved by a credit committee with delegated authority approved by the Board. The credit committee consists of designated credit officers and senior credit officers appointed following a rigorous and extended process of qualification. These appointments are made by the Chief Executive Officer upon the recommendation of the GCCO and GCRO. The credit approval process and the authorities vested with the committee members are laid out in the Bank’s Credit Policy & Procedures Manual. The manual is revised periodically.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****43 Risk management (continued)****43.1 Introduction (continued)****43.1.5 Risk concentration**

The Bank seeks to manage its credit risk exposure through diversification of financing activities to avoid undue concentrations of risks with individuals or groups of customers or in specific locations or businesses. It also obtains security when appropriate.

Details of the composition of the financing portfolio are provided in notes 17 and 18.

**43.1.6 Group Internal Audit**

Risk management processes throughout the Bank are reviewed periodically by the internal audit function that reviews both the adequacy of the procedures and the Bank's compliance with the procedures. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee. The Head of Group Internal Audit has a direct reporting line to the Audit Committee thus demonstrating his independence and objectivity in all audit engagements undertaken within the Bank.

**43.1.7 Basel II / Internal Capital Adequacy Assessment Process ("ICAAP")**

The UAE Central Bank, as part of the international Basel II regulatory regime, has required each UAE bank to submit a report on its internal capital adequacy assessment process – this is known as the "ICAAP". The Bank has prepared and submitted its ICAAP report annually. The process aligns the Bank's risk appetite with its risk capacity which, in turn, produces an enterprise-wide set of risk limits within and relevant to the Bank's overall strategy.

**43.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group controls credit risk by the use of a focused target market discipline which defines who the Bank is prepared to deal with from a risk profile perspective and the use of risk acceptance criteria, which define what type and volume of risk the Bank is prepared to undertake with each counterparty. These critical tools are used in conjunction with close monitoring of credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of all counterparties. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counter-parties to mitigate credit risk.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

All commercial credit risk exposures are risk rated using Moody's Risk Analyst system, recognized as an industry wide standard. This platform supports a number of different rating models for various businesses which are now well embedded. Facility Risk Ratings are also applied. Consumer exposures are rated using application and behavioral scorecards.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### Model risk management

For effective risk measurement, Group uses a range of risk quantification tools and models such as customer risk rating/scoring, loss given default, market risk and stress testing models. These risk models are subject to the Group's model risk governance policy, which prescribes guidelines across the model life cycle and establishes principles and instructions to enable an effective decision process across stakeholders in order to develop and maintain high quality risk models at Group. The governance policy covers the following:

- The roles and responsibilities of stakeholders (Model Developer, Independent Validator, Approval Authority etc.);
- The minimum requirement for each of the model life cycle steps;
- The approval process; and
- The minimum documentation requirement.

A model governance committee is in place, responsible for significant decisions related to models and model risk within the Group. This committee ensures rigorous control and management of development, validation, approval, and use of models along with model risk management through model risk issues and recommendations.

Critical modelling decisions and summary of model risk activities are regularly reported to the Enterprise Risk Committee and Board Risk Committee. This allows oversight at the highest level and aligns model risk management with overall risk management framework.

##### Credit risk measurement

Group credit risk is measured in terms of expected credit loss (ECL), which is calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), and discounting at the initial effective profit rate.

The Bank has developed a range of models to estimate these parameters. For the portfolios where sufficient historical data was available, the Group has developed a statistical model and for other portfolios judgmental models were developed.

##### Credit risk grading

The Group has designed a master rating scale, which has 22 risk grades reflecting assessment of default probability of the customer. The master rating scale comprises 19 performing grades and 3 non-performing grades.

For the Retail portfolios, the Group uses behavior scorecards, which includes recent payment behavior and other relevant relationship information available with the bank, to calculate credit score which is calibrated to PiT (Point-in-Time) PD.

Non Retail customers are rated using segment specific customer risk rating models, which uses financial and non-financial information related to the customer to arrive at a risk rating. The risk ratings are calibrated to PiT (Point-in-Time) PD for IFRS 9 based calculations.

##### ECL measurement

The assessment of credit risk and the estimation of ECL are unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### ECL measurement continued

As per the IFRS 9 requirements, Group calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over the next 12 months or effective remaining life of the facility. Expected Loss at any point in time of the life of the facility is calculated using the following formula:

##### Expected Credit Loss (ECL) = PD\*EAD\*LGD

For each facility the Group calculates ECL over two forecast periods:

- 12 Month: ECL is calculated using 12-month forward looking PD, LGD and EAD.
- Lifetime: ECL is calculated using Lifetime forward looking PD, LGD and EAD.

12 Month or Lifetime ECL for each facility is used depending on the stage of the facility, as explained below:

- **Stage1:** where no significant increase in credit risk is observed, 12 month Expected Credit Loss (ECL) is recorded as impairment provision;
- **Stage2:** where significant increase in credit risk has been observed, Life-time ECL is recorded as impairment provision; and
- **Stage3:** where the exposure is defaulted or impaired, Life-time ECL is recorded as impairment provision.

##### Significant increase in credit risk (“SICR”)

The stage allocation is determined by identifying a significant increase in credit risk since initial origination. The Group assesses when significant increase in credit risk has occurred based on the quantitative and qualitative assessments. The facilities are classified as stage 2 when they meet following criteria:

Quantitative criteria: Thresholds based on absolute PD or relative PD increase compared to origination have been defined for various portfolios, in order to determine the significant increase in credit risk. In addition to this the bank also uses rating migration since origination for non-retail customers.

Qualitative criteria: Independent of PD, the Group also uses qualitative information to assess the significant increase in credit risk. This includes information such as watch list classification and indicators of historic delinquency.

Backstop criteria: For all customer accounts, a backstop is applied and the facility is considered to have experienced a significant increase in credit risk if the finance customer is more than 30 days past due on its contractual payments.

For the cases where Group has experienced limitation on the information available at origination, certain proxy assumptions were made to estimate the rating at origination.

##### Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when it meets one or more of the following criteria:

Retail: A customer who is delinquent over 90 days past due will be classified as default or credit impaired.

Corporate: All customers currently classified/rated as below will be considered under default:

- Where classification is Substandard, Doubtful or Loss; or
- Risk Rating is D/8, D/9, and D/10; or
- Where a deal is delinquent over 90 days past due unless an exception is approved.

The customers are classified or downgraded in the above categories, based on a comprehensive assessment of the customer’s credit quality. This assessment includes review of payment history, capacity to repay and financial health

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### **Curing**

Assets can move back to Stage 1 from Stage 2 when they no longer meet the significant increase in credit risk criteria and have completed a probation period of 12 months, defined by the Group. Similarly, for the movement from Stage 3 to Stage 2, for certain portfolios, the Group's policy include probation periods whereby assets remain in Stage 3 for periods of between three to twelve months. The policy also ensures that none of the assets can move back directly to Stage 1 from Stage 3.

##### **Measuring ECL- Explanations of input, assumptions and estimation techniques**

As per IFRS 9, the ECL calculated for a facility should incorporate both current and forward-looking economic outlook over 12 months and over the remaining life of the facility.

The Group calculates Expected credit loss (ECL) for a facility as a forward looking probability weighted present value of the expected losses over forecast period (next 12 months or effective remaining life of the facility).

At the reporting date, a monthly ECL is estimated for each individual exposure for each month until the end of the forecast period. This is calculated as a simple multiplication of PD, LGD and EAD at each month. These monthly ECLs are discounted to the reporting date using the effective profit rate and the summation of these discounted monthly ECLs gives the ECL estimate. The lifetime ECL is the sum of the monthly ECLs over the remaining life, while the 12-month ECL is limited to the first 12 months.

The estimation methodology for three main components, PD, LGD and EAD is explained below:

##### Probability of Default (PD):

Retail: The 12 month PD for each facility is based on behaviour scores which are calibrated to recent portfolio performance in order to reflect the Point in Time PDs. In cases where sufficient performance history is not available to calculate the behaviour score, the Bank has used pool level PDs.

Based on historical data, the Group has developed lifetime default rate evolution curves for various portfolios and segments. To get the macro-economic adjusted lifetime PD term structure, the lifetime curves are multiplied by the macro-economic scalars, derived using the macro-economic overlay models developed by the Group.

Non-Retail: PDs for corporate customers are driven by the risk rating generated from respective rating models. Historical default rates of different segments have been used to develop PD macroeconomic overlay models. The PDs forecasted from the models are then converted to cumulative PD using survival analysis concept and a marginal PD is derived.

##### Loss Given Default (LGD):

Retail: The LGD models are based on the cash recovery estimates. For secured products recoveries from collateral are also considered.

For unsecured products and segments within, the Group has developed recovery curves over the workout period based on the historical recovery experience. For each facility the LGD is calculated using those recovery curves with an adjustment for macro-economic outlook.

For secured products, the LGD is based on the current/future collateral value adjusted for depreciation or House Price Index (HPI).

Non-Retail: ADIB uses an off-the-shelf model, calibrated on the Group's portfolio, to calculate unsecured LGD. Secured LGD is then calculated after taking the benefit of the assigned collaterals. The LGDs are adjusted for macroeconomic outlook.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### Measuring ECL- Explanations of input, assumptions and estimation techniques continued

###### Exposure at Default (EAD):

The EAD is the amount which the Bank expects a customer to owe in the event of default. The EAD depends on the product type:

- For amortizing products, this is based on the contractual payments over the forecast period; and
- For revolving/off-balance products, this is estimated as a combination of current exposure and credit conversion factor applied on the undrawn portion of the limit.

The Group applies a management overlay for cases where models are unable to capture customer's idiosyncrasies. These overlays are discussed and approved by GCRO or appropriate management committee of the Group.

##### Forward-looking information incorporated in the ECL model

As per IFRS 9 requirements, forward looking economic outlook has also been incorporated in the loss calculations. The Group has developed a macro-economic overlay models by performing statistical analysis to establish a historical relationship of macro-economic variables with PD and components of LGD. These models depend on various variables such as Oil Price, GDP and Real Estate price etc. The macro-economic models are used to adjust the PD and LGD calculated from the base models. In addition to ECL calculations, the forward looking lifetime PD is used to determine the significant increase in credit risk.

The Group sources the macro-economic scenarios data from an external vendor, which uses scenarios built based on the current market conditions and outlook of their economic team. The Group uses three macro-economic scenarios and a weightage has been assigned to each scenario.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2023 for the years 2024 to 2028, for UAE which is the country where the Group operates and therefore is the country that has a material impact on ECLs.

Macro variables used	Definition	Range
Oil Price, Brent USD	Price per barrel	Between USD 59 and USD 92
Domestic Real GDP Growth	% change	Between -3% and 6%
House Price Index	% change	Between -5% and 13%
Private Consumption	% change	Between -9% and 12%
Domestic Demand	% change	Between -8% and 6%

##### Credit risk monitoring

For IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by an appropriate management committee.

Risks of the Group's credit portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****43 Risk management (continued)****43.2 Credit risk (continued)****Group credit risk mitigation strategy**

The Group operates within prudential exposure ceilings set by the Board in line with UAE Central Bank guidelines. There are well laid out processes for exception management and escalation.

The Group has adopted measures to diversify the exposures to various sectors. Diversification is achieved by limiting concentration through setting customer, industry and geographical limits.

**Collateral management**

Collaterals and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is continuously monitored and assessed and the Bank seeks to ensure enforceability of the collateral. Major categories of collaterals include cash/ fixed deposits, inventories, shares, guarantees (corporate, bank and personal guarantees), immovable properties, receivables and vehicles.

Collaterals are revalued regularly as per the bank's credit policy. In addition, ad hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Bank to assess the fair market value of the collateral and ensure that risks are appropriately covered. Security structures and legal covenants are also subject to regular review.

*Credit-related commitments risks*

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the letters of guarantee. They expose the Bank to similar risks as financing and these are mitigated by the same control processes and policies.



**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.1 Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	Gross maximum exposure	
		2023 AED '000	2022 AED '000
Balances and wakala deposits with Islamic banks and other financial institutions	15	<b>7,392,259</b>	2,964,189
Murabaha and mudaraba with financial institutions	16	<b>3,994,920</b>	4,557,805
Murabaha and other Islamic financing	17	<b>69,427,419</b>	64,883,498
Ijara financing	18	<b>50,741,625</b>	48,483,660
Investment in sukuk measured at amortised cost	19	<b>19,004,100</b>	14,498,533
Investments measured at fair value	20	<b>5,476,992</b>	4,906,485
Other assets		<b>3,163,590</b>	2,286,385
		<b>159,200,905</b>	142,580,555
Contingent liabilities		<b>12,670,424</b>	11,583,449
Commitments		<b>1,466,162</b>	730,218
Total		<b>14,136,586</b>	12,313,667
<b>Total credit risk exposure</b>		<b>173,337,491</b>	154,894,222

**43.2.2 Credit risk concentration**

Concentration of risk is managed by customer/counterparty, by geographical region and by industry sector. The credit exposure to the top 5 customers as of 31 December 2023 was AED 10,020,242 thousand (2022: AED 9,373,309 thousand) before taking account of collateral or other credit enhancements.

The concentration of the Group's assets and liabilities by geographical segment is based primarily upon the location of the counter party.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### 43.2.2 Credit risk concentration (continued)

The distribution of the Group's financial assets which are subject to credit risk by geographic region is as follows:

	Balances and wakala deposits with Islamic banks and other financial institutions AED '000	Murabaha and mudaraba with financial institutions AED '000	Murabaha and other Islamic financing AED '000	Ijara financing AED '000	Investment in sukuk measured at amortised cost AED '000	Investments measured at fair value AED '000	Other assets AED '000	Total AED' 000
<i>31 December 2023</i>								
UAE	1,433,787	25,989	52,172,504	49,190,106	10,573,633	2,316,230	2,235,118	117,947,367
Rest of Middle East	5,749,171	49,389	6,184,559	971,771	6,371,362	1,920,673	69,512	21,316,437
Europe	134,677	-	2,956,416	6,357	-	-	-	3,097,450
Others	74,624	3,919,542	8,113,940	573,391	2,059,105	1,240,089	858,960	16,839,651
Financial assets subject to credit risk	<b>7,392,259</b>	<b>3,994,920</b>	<b>69,427,419</b>	<b>50,741,625</b>	<b>19,004,100</b>	<b>5,476,992</b>	<b>3,163,590</b>	<b>159,200,905</b>
<i>31 December 2022</i>								
UAE	338,283	-	45,893,698	44,885,205	9,201,049	2,398,263	2,212,908	104,929,406
Rest of Middle East	2,241,486	44,669	6,841,932	1,505,463	4,059,864	1,723,856	73,477	16,490,747
Europe	109,338	-	2,123,992	707,614	-	-	-	2,940,944
Others	275,082	4,513,136	10,023,876	1,385,378	1,237,620	784,366	-	18,219,458
Financial assets subject to credit risk	<b>2,964,189</b>	<b>4,557,805</b>	<b>64,883,498</b>	<b>48,483,660</b>	<b>14,498,533</b>	<b>4,906,485</b>	<b>2,286,385</b>	<b>142,580,555</b>

The credit risk arising from off-balance sheet items mentioned in note 43.2.1 are mainly relating to the UAE.

The distribution of the Group's financial assets by industry sector is as follows:

	2023 AED '000	2022 AED '000
Government	<b>13,581,222</b>	10,849,718
Public sector	<b>17,335,846</b>	17,718,327
Financial institutions	<b>23,916,344</b>	18,662,376
Trading and manufacturing	<b>7,042,224</b>	6,408,400
Construction and real estate	<b>11,715,604</b>	9,899,316
Energy	<b>3,056,912</b>	2,459,553
Personal	<b>63,600,916</b>	61,024,464
Others	<b>18,951,837</b>	15,558,401
Financial assets subject to credit risk	<b>159,200,905</b>	142,580,555

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### 43.2.3 Impairment assessment

With the adoption of IFRS 9 the incurred loss approach for impairment has been replaced by a forward looking expected credit loss (ECL) approach. The Bank recognizes an allowance for ECL for all financial instruments other than those held at fair value through profit or loss. Financial instruments are classified into three categories as follows:

Stage 1 (performing): where no Significant Increase in Credit Risk (SICR) since origination has been observed. ECL from default events that are possible within the next 12 months is booked as impairment provision.

Stage 2 (underperforming): where a SICR since origination is observed however a default has not occurred. ECL from default events that are possible over the lifetime of the financial instrument is booked as impairment provision.

Stage 3 (non-performing): where a default has occurred, ECL based on the loss expected over the remaining life of the financial instrument is recognized as an impairment provision.

The criteria for SICR have been defined for both the wholesale and retail book. The primary driver of SICR for the wholesale book is the customer risk rating migration since origination. The customer risk rating in turn is determined by the probability of default. The primary driver of the SICR for the retail book is the past due status and the lifetime probability of default.

The ECL is calculated as a product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) which is present valued using the effective profit rate of each facility. The PDs and LGDs are adjusted based on weighted average of three macroeconomic scenarios sourced from an external industry expert. These scenarios are updated quarterly.

The ECL based provisions are reviewed and approved by the management on a monthly basis.

##### *Write-off of financing assets*

Board approved policies are in place covering the timing and amount of provisions and write offs for all the financing portfolios of the Bank. These reflect both the UAE Central bank guidelines and rules, accepted international accounting standards, and market and industry best practice and are stringently adhered to.

##### 43.2.4 Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For repurchase and reverse repurchase transactions, cash or securities;
- For commercial financing, charges over real estate properties, inventory, trade receivables and securities; and
- For retail financing, charge over assets, mortgage of properties and vehicles and assignment of salaries in favor of the Bank.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### 43.2.4 Collateral and other credit enhancements (continued)

The table below shows the lower of the collateral value or the outstanding balance of customer financing as at the reporting date:

	2023 AED '000	2022 AED '000
<i>Against customer financing not impaired</i>		
Property	36,622,270	32,985,437
Movable assets	10,738,970	9,068,365
Securities	483,192	495,743
Cash margin and lien over deposits	1,844,004	1,719,288
Others	977,601	1,255,494
	<hr/>	<hr/>
	<b>50,666,037</b>	<b>45,524,327</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Against individually impaired</i>		
Property	4,232,185	4,626,994
Movable assets	463,150	203,548
Securities	32,341	42,265
Cash margin and lien over deposits	23,375	21,081
Others	2,460	207
	<hr/>	<hr/>
	<b>4,753,511</b>	<b>4,894,095</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>55,419,548</b>	<b>50,418,422</b>

The Bank also obtains guarantees from parent companies for financing their subsidiaries, but their benefits are not included in the above table.

Management regularly monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and assesses the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

The Bank also makes use of master netting agreements with counterparties.

##### 43.2.5 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality for balance and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, murabaha, ijara and other Islamic financing, investments at amortised cost, investment measured at fair value (except equity instruments), certain other assets and Bank's contingent liabilities and commitments based on the Group's credit rating system.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.5 Credit quality per class of financial assets (continued)**

Gross Exposure by rating is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b>31 December 2023</b>				
<b><u>Financial instruments carried at amortised cost</u></b>				
Grades 1 – 4	114,070,594	1,266,211	-	115,336,805
Grades 5 – 6	37,737,458	3,297,249	-	41,034,707
Grade 7	102,228	957,026	-	1,059,254
Grades 8 – 10	-	270,000	7,304,278	7,574,278
<b>Gross financial instruments carried at amortised cost</b>	<b>151,910,280</b>	<b>5,790,486</b>	<b>7,304,278</b>	<b>165,005,044</b>
<b><u>Sukuk carried at FVTOCI</u></b>				
Grades 1 – 4	2,381,577	-	-	2,381,577
Grades 5 – 6	731,522	5,856	-	737,378
Grade 7	-	-	-	-
Grades 8 – 10	-	-	68,097	68,097
<b>Gross Sukuk carried at FVTOCI</b>	<b>3,113,099</b>	<b>5,856</b>	<b>68,097</b>	<b>3,187,052</b>
<b><u>Contingent liabilities and commitments</u></b>				
Grades 1 – 4	11,428,641	593,536	-	12,022,177
Grades 5 – 6	1,183,731	397,100	-	1,580,831
Grade 7	469	10,952	-	11,421
Grades 8 – 10	-	-	522,157	522,157
<b>Gross Contingent liabilities and commitments</b>	<b>12,612,841</b>	<b>1,001,588</b>	<b>522,157</b>	<b>14,136,586</b>
	<b>167,636,220</b>	<b>6,797,930</b>	<b>7,894,532</b>	<b>182,328,682</b>
<b>31 December 2022</b>				
<b><u>Financial instruments carried at amortised cost</u></b>				
Grades 1 – 4	89,402,934	788,156	-	90,191,090
Grades 5 – 6	42,260,591	4,774,123	-	47,034,714
Grade 7	48,760	1,699,260	-	1,748,020
Grades 8 – 10	-	270,000	8,830,230	9,100,230
<b>Gross financial instruments carried at amortised cost</b>	<b>131,712,285</b>	<b>7,531,539</b>	<b>8,830,230</b>	<b>148,074,054</b>
<b><u>Sukuk carried at FVTOCI</u></b>				
Grades 1 – 4	2,474,615	-	-	2,474,615
Grades 5 – 6	719,727	5,756	-	725,483
Grade 7	-	72,420	-	72,420
Grades 8 – 10	-	-	383	383
<b>Gross Sukuk carried at FVTOCI</b>	<b>3,194,342</b>	<b>78,176</b>	<b>383</b>	<b>3,272,901</b>
<b><u>Contingent liabilities and commitments</u></b>				
Grades 1 – 4	8,781,972	204,586	-	8,986,558
Grades 5 – 6	1,326,896	1,345,009	-	2,671,905
Grade 7	147	2,670	-	2,817
Grades 8 – 10	-	-	652,387	652,387
<b>Gross Contingent liabilities and commitments</b>	<b>10,109,015</b>	<b>1,552,265</b>	<b>652,387</b>	<b>12,313,667</b>
	<b>145,015,642</b>	<b>9,161,980</b>	<b>9,483,000</b>	<b>163,660,622</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.5 Credit quality per class of financial assets (continued)**

Expected credit losses (ECL) by rating is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b>31 December 2023</b>				
<b><u>Financial instruments carried at amortised cost - ECL</u></b>				
Grades 1 – 4	415,650	24,949	3	440,602
Grades 5 – 6	550,855	429,714	-	980,569
Grade 7	16,793	226,415	-	243,208
Grades 8 – 10	-	-	3,728,851	3,728,851
	<u>983,298</u>	<u>681,078</u>	<u>3,728,854</u>	<u>5,393,230</u>
<b><u>Sukuk carried at FVTOCI - ECL</u></b>				
Grades 1 – 4	6,551	-	-	6,551
Grades 5 – 6	34,178	188	-	34,366
Grades 7	-	-	-	-
Grades 8 – 10	-	-	34,010	34,010
	<u>40,729</u>	<u>188</u>	<u>34,010</u>	<u>74,927</u>
<b><u>Contingent liabilities and commitments - ECL</u></b>				
Grades 1 – 4	107,680	639	1	108,320
Grades 5 – 6	9,564	9,855	-	19,419
Grade 7	15	634	-	649
Grades 8 – 10	-	-	87,572	87,572
	<u>117,259</u>	<u>11,128</u>	<u>87,573</u>	<u>215,960</u>
	<u><u>1,141,286</u></u>	<u><u>692,394</u></u>	<u><u>3,850,437</u></u>	<u><u>5,684,117</u></u>

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### 43.2.5 Credit quality per class of financial assets (continued)

Expected credit losses (ECL) by rating is as follows: (continued)

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b>31 December 2022</b>				
<b><u>Financial instruments carried at amortised cost - ECL</u></b>				
Grades 1 – 4	442,897	13,191	-	456,088
Grades 5 – 6	457,631	231,063	-	688,694
Grade 7	19,512	258,047	-	277,559
Grades 8 – 10	-	-	4,441,592	4,441,592
	920,040	502,301	4,441,592	5,863,933
<b><u>Sukuk carried at FVTOCI - ECL</u></b>				
Grades 1 – 4	3,043	-	-	3,043
Grades 5 – 6	15,897	150	-	16,047
Grades 7	-	14,440	-	14,440
Grades 8 – 10	-	-	153	153
	18,940	14,590	153	33,683
<b><u>Contingent liabilities and commitments - ECL</u></b>				
Grades 1 – 4	91,829	9	-	91,838
Grades 5 – 6	6,130	14,385	-	20,515
Grade 7	1	35	-	36
Grades 8 – 10	-	-	103,744	103,744
	97,960	14,429	103,744	216,133
	1,036,940	531,320	4,545,489	6,113,749

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial and qualitative analysis, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The risk ratings models are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain of the exposures in each risk rating class. A number of new rating models aligned to specific business segments, were introduced during the course of the year.

#### **Renegotiated murabaha, ijara and other Islamic financings**

The total carrying amount of financing to non-related parties whose terms have been renegotiated during the year amounted to AED 331,391 thousand (2022: AED 1,049,714 thousand).

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.6 Credit quality per stage for financial assets**

The details of gross exposure of financial assets and their expected credit losses per stages was as follows:

	Gross Exposure				Expected credit losses - (ECL)			
	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<i>31 December 2023</i>								
Cash and balances with central banks	13,470,743	140,000	-	13,610,743	-	1,227	-	1,227
Balances and wakala deposits with Islamic banks and other financial institutions	7,392,259	-	-	7,392,259	18,453	-	-	18,453
Murabaha and mudaraba with financial institutions	3,994,920	-	-	3,994,920	64,790	-	-	64,790
Murabaha and other Islamic financing	65,513,557	2,158,549	1,755,313	69,427,419	429,960	497,862	1,455,280	2,383,102
Ijara financing	41,860,404	3,344,044	5,537,177	50,741,625	343,925	177,827	2,261,786	2,783,538
Investment in sukuk measured at amortised cost	18,992,312	-	11,788	19,004,100	110,763	-	11,788	122,551
Investments measured at fair value	3,113,099	5,856	68,097	3,187,052	40,729	188	34,010	74,927
Other assets	686,085	147,893	-	833,978	15,407	4,162	-	19,569
	<b>155,023,379</b>	<b>5,796,342</b>	<b>7,372,375</b>	<b>168,192,096</b>	<b>1,024,027</b>	<b>681,266</b>	<b>3,762,864</b>	<b>5,468,157</b>
Contingent liabilities and commitments	12,612,841	1,001,588	522,157	14,136,586	117,259	11,128	87,573	215,960
	<b>167,636,220</b>	<b>6,797,930</b>	<b>7,894,532</b>	<b>182,328,682</b>	<b>1,141,286</b>	<b>692,394</b>	<b>3,850,437</b>	<b>5,684,117</b>



**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.6 Credit quality per stage for financial assets (continued)**

	Gross Exposure				Expected credit losses - (ECL)			
	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b>31 December 2022</b>								
Cash and balances with central banks	12,263,762	-	-	12,263,762	2,921	-	-	2,921
Balances and wakala deposits with Islamic banks and other financial institutions	2,964,189	-	-	2,964,189	43,095	-	-	43,095
Murabaha and mudaraba with financial institutions	4,557,805	-	-	4,557,805	38,369	-	-	38,369
Murabaha and other Islamic financing	60,178,904	2,050,635	2,653,959	64,883,498	522,480	339,620	1,997,976	2,860,076
Ijara financing	36,951,833	5,480,904	6,050,923	48,483,660	281,671	162,681	2,345,823	2,790,175
Investment in sukuk measured at amortised cost	14,373,185	-	125,348	14,498,533	30,449	-	97,793	128,242
Investments measured at fair value	3,194,342	78,176	383	3,272,901	18,940	14,590	153	33,683
Other assets	422,607	-	-	422,607	1,055	-	-	1,055
	<u>134,906,627</u>	<u>7,609,715</u>	<u>8,830,613</u>	<u>151,346,955</u>	<u>938,980</u>	<u>516,891</u>	<u>4,441,745</u>	<u>5,897,616</u>
Contingent liabilities and commitments	<u>10,109,015</u>	<u>1,552,265</u>	<u>652,387</u>	<u>12,313,667</u>	<u>97,960</u>	<u>14,429</u>	<u>103,744</u>	<u>216,133</u>
	<u><u>145,015,642</u></u>	<u><u>9,161,980</u></u>	<u><u>9,483,000</u></u>	<u><u>163,660,622</u></u>	<u><u>1,036,940</u></u>	<u><u>531,320</u></u>	<u><u>4,545,489</u></u>	<u><u>6,113,749</u></u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.6 Credit quality per stage for financial assets (continued)**

Movement in gross exposure by stage is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b><u>Financial instruments carried at amortised cost</u></b>				
<b>Balance at 1 January 2023</b>	<b>131,712,285</b>	<b>7,531,539</b>	<b>8,830,230</b>	<b>148,074,054</b>
- Transfer from stage 1 to stage 2	(981,342)	981,342	-	-
- Transfer from stage 1 to stage 3	(138,808)	-	138,808	-
- Transfer from stage 2 to stage 1	746,877	(746,877)	-	-
- Transfer from stage 2 to stage 3	-	(503,080)	503,080	-
- Transfer from stage 3 to stage 1	28,351	-	(28,351)	-
- Transfer from stage 3 to stage 2	-	147,966	(147,966)	-
- Other movements within the same stage	(29,868,979)	(2,447,873)	(1,011,196)	(33,328,048)
- New financial assets originated / purchased	53,308,078	940,183	126,608	54,374,869
- Write-off and other adjustments	(2,896,182)	(112,714)	(1,106,935)	(4,115,831)
<b>Balance at 31 December 2023</b>	<b>151,910,280</b>	<b>5,790,486</b>	<b>7,304,278</b>	<b>165,005,044</b>
<b><u>Sukuk carried at FVTOCI</u></b>				
<b>Balance at 1 January 2023</b>	<b>3,194,342</b>	<b>78,176</b>	<b>383</b>	<b>3,272,901</b>
- Transfer from stage 2 to stage 3	-	(67,726)	67,726	-
- Other movements within the same stage	(96,639)	(4,594)	(12)	(101,245)
- New financial assets originated / purchased	15,396	-	-	15,396
<b>Balance at 31 December 2023</b>	<b>3,113,099</b>	<b>5,856</b>	<b>68,097</b>	<b>3,187,052</b>
<b><u>Contingent liabilities and commitments</u></b>				
<b>Balance at 1 January 2023</b>	<b>10,109,015</b>	<b>1,552,265</b>	<b>652,387</b>	<b>12,313,667</b>
- Transfer from stage 1 to stage 2	(94,130)	94,130	-	-
- Transfer from stage 1 to stage 3	(16,989)	-	16,989	-
- Transfer from stage 2 to stage 1	243,863	(243,863)	-	-
- Transfer from stage 2 to stage 3	-	(123,980)	123,980	-
- Transfer from stage 3 to stage 1	148	-	(148)	-
- Transfer from stage 3 to stage 2	-	168	(168)	-
- Other movements within the same stage	(4,278,389)	(415,219)	(280,331)	(4,973,939)
- New financial assets originated / purchased	6,649,323	138,087	9,448	6,796,858
<b>Balance at 31 December 2023</b>	<b>12,612,841</b>	<b>1,001,588</b>	<b>522,157</b>	<b>14,136,586</b>
	<b>167,636,220</b>	<b>6,797,930</b>	<b>7,894,532</b>	<b>182,328,682</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.6 Credit quality per stage for financial assets (continued)**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b><u>Financial instruments carried at amortised cost</u></b>				
Balance at 1 January 2022	91,697,356	7,880,896	8,412,071	107,990,323
- Movement due to Business Combination	13,685,901	364,118	159,310	14,209,329
- Transfer from stage 1 to stage 2	(1,313,766)	1,313,766	-	-
- Transfer from stage 1 to stage 3	(147,200)	-	147,200	-
- Transfer from stage 2 to stage 1	630,422	(630,422)	-	-
- Transfer from stage 2 to stage 3	-	(1,004,177)	1,004,177	-
- Transfer from stage 3 to stage 1	3,465	-	(3,465)	-
- Transfer from stage 3 to stage 2	-	186,837	(186,837)	-
- Other movements within the same stage	(22,608,838)	(1,536,170)	(832,383)	(24,977,391)
- New financial assets originated / purchased	49,764,945	956,691	354,454	51,076,090
- Write-off and other adjustments	-	-	(224,297)	(224,297)
Balance at 31 December 2022	131,712,285	7,531,539	8,830,230	148,074,054
<b><u>Sukuk carried at FVTOCI</u></b>				
Balance at 1 January 2022	1,816,287	-	253	1,816,540
- Transfer from stage 1 to stage 2	(78,176)	78,176	-	-
- Other movements within the same stage	(391,362)	-	130	(391,232)
- New financial assets originated / purchased	1,847,593	-	-	1,847,593
Balance at 31 December 2022	3,194,342	78,176	383	3,272,901
<b><u>Contingent liabilities and commitments</u></b>				
Balance at 1 January 2022	8,833,627	2,447,817	172,707	11,454,151
- Movement due to Business Combination	2,724,630	38,937	960	2,764,527
- Transfer from stage 1 to stage 2	(80,698)	80,698	-	-
- Transfer from stage 1 to stage 3	(6,177)	-	6,177	-
- Transfer from stage 2 to stage 1	46,734	(46,734)	-	-
- Transfer from stage 2 to stage 3	-	(485,769)	485,769	-
- Transfer from stage 3 to stage 1	30	-	(30)	-
- Transfer from stage 3 to stage 2	-	107	(107)	-
- Other movements within the same stage	(4,957,771)	(537,599)	(29,848)	(5,525,218)
- New financial assets originated / purchased	3,548,640	54,808	16,759	3,620,207
Balance at 31 December 2022	10,109,015	1,552,265	652,387	12,313,667
	145,015,642	9,161,980	9,483,000	163,660,622

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.6 Credit quality per stage for financial assets (continued)**

Movement in Expected credit losses (ECL) by stage is as follows:

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b><u>Financial instruments carried at amortised cost - ECL</u></b>				
<b>Balance at 1 January 2023</b>	<b>920,040</b>	<b>502,301</b>	<b>4,441,592</b>	<b>5,863,933</b>
- Transfer from stage 1 to stage 2	(80,202)	80,202	-	-
- Transfer from stage 1 to stage 3	(68,068)	-	68,068	-
- Transfer from stage 2 to stage 1	4,480	(4,480)	-	-
- Transfer from stage 2 to stage 3	-	(137,543)	137,543	-
- Transfer from stage 3 to stage 1	94	-	(94)	-
- Transfer from stage 3 to stage 2	-	6,587	(6,587)	-
- Other movements within the same stage	(42,411)	50,190	105,851	113,630
- New financial assets originated / purchased	297,248	202,075	91,158	590,481
- Write-off and other adjustments	(47,883)	(18,254)	(1,108,677)	(1,174,814)
<b>Balance at 31 December 2023</b>	<b>983,298</b>	<b>681,078</b>	<b>3,728,854</b>	<b>5,393,230</b>
<b><u>Sukuk carried at FVTOCI - ECL</u></b>				
<b>Balance at 1 January 2023</b>	<b>18,940</b>	<b>14,590</b>	<b>153</b>	<b>33,683</b>
- Transfer from stage 2 to stage 3	-	(33,863)	33,863	-
- Other movements within the same stage	21,789	19,461	(6)	41,244
<b>Balance at 31 December 2023</b>	<b>40,729</b>	<b>188</b>	<b>34,010</b>	<b>74,927</b>
<b><u>Contingent liabilities and commitments - ECL</u></b>				
<b>Balance at 1 January 2023</b>	<b>97,960</b>	<b>14,429</b>	<b>103,744</b>	<b>216,133</b>
- Transfer from stage 1 to stage 2	(1,723)	1,723	-	-
- Transfer from stage 1 to stage 3	(1,083)	-	1,083	-
- Transfer from stage 2 to stage 1	1,084	(1,084)	-	-
- Transfer from stage 2 to stage 3	-	(4,272)	4,272	-
- Transfer from stage 3 to stage 1	63	-	(63)	-
- Transfer from stage 3 to stage 2	-	1	(1)	-
- Other movements within the same stage	(44,528)	(1,638)	(21,481)	(67,647)
- New financial assets originated / purchased	65,486	1,969	19	67,474
<b>Balance at 31 December 2023</b>	<b>117,259</b>	<b>11,128</b>	<b>87,573</b>	<b>215,960</b>
	<b>1,141,286</b>	<b>692,394</b>	<b>3,850,437</b>	<b>5,684,117</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.2 Credit risk (continued)**

**43.2.6 Credit quality per stage for financial assets (continued)**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	Total AED '000
<b><u>Financial instruments carried at amortised cost - ECL</u></b>				
Balance at 1 January 2022	506,292	422,474	4,074,225	5,002,991
- Movement due to Business Combination	179,043	74,794	127,131	380,968
- Transfer from stage 1 to stage 2	(59,618)	59,618	-	-
- Transfer from stage 1 to stage 3	(69,560)	-	69,560	-
- Transfer from stage 2 to stage 1	7,498	(7,498)	-	-
- Transfer from stage 2 to stage 3	-	(134,256)	134,256	-
- Transfer from stage 3 to stage 1	80	-	(80)	-
- Transfer from stage 3 to stage 2	-	46,353	(46,353)	-
- Other movements within the same stage	169,765	(98,411)	134,188	205,542
- New financial assets originated / purchased	186,540	139,227	172,962	498,729
- Write-off and other adjustments	-	-	(224,297)	(224,297)
Balance at 31 December 2022	920,040	502,301	4,441,592	5,863,933
<b><u>Sukuk carried at FVTOCI - ECL</u></b>				
Balance at 1 January 2022	14,892	-	100	14,992
- Transfer from stage 1 to stage 2	(14,590)	14,590	-	-
- Other movements within the same stage	9,505	-	53	9,558
- New financial assets originated / purchased	9,133	-	-	9,133
Balance at 31 December 2022	18,940	14,590	153	33,683
<b><u>Contingent liabilities and commitments - ECL</u></b>				
Balance at 1 January 2022	4,964	58,571	65,168	128,703
- Movement due to business combination	80,338	1,952	618	82,908
- Transfer from stage 1 to stage 2	(41)	41	-	-
- Transfer from stage 1 to stage 3	(3,165)	-	3,165	-
- Transfer from stage 2 to stage 1	178	(178)	-	-
- Transfer from stage 2 to stage 3	-	(49,009)	49,009	-
- Transfer from stage 3 to stage 1	16	-	(16)	-
- Other movements within the same stage	(8,299)	1,340	(14,740)	(21,699)
- New financial assets originated / purchased	23,969	1,712	540	216,221
Balance at 31 December 2022	97,960	14,429	103,744	216,133
	1,036,940	531,320	4,545,489	6,113,749

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.2 Credit risk (continued)

##### 43.2.7 Impairment reserve under the Central Bank of UAE (CBUAE) guidance

The CB UAE issued a guidance note to banks and finance companies on the implementation of IFRS 9 on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE the ("guidance").

Pursuant to clause 6.4 of the guidance, a comparison between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2023 AED '000	2022 AED '000
<b>Impairment reserve: General</b>		
General provisions under Circular 28/2010 of CBUAE	1,877,376	1,612,918
Less: Stage 1 and Stage 2 provisions under IFRS 9	(1,833,680)	(1,333,591)
	<hr/>	<hr/>
<b>General provision transferred to the impairment reserve</b>	<b>43,696</b>	279,327
	<hr/>	<hr/>
<b>Impairment reserve: Specific</b>		
Specific provisions under Circular 28/2010 of CBUAE	3,351,303	3,938,942
Less: Stage 3 provisions under IFRS 9	(3,850,437)	(4,545,489)
	<hr/>	<hr/>
<b>Specific provision transferred to the impairment reserve</b>	-	-
	<hr/>	<hr/>
<b>Total provision transferred to the impairment reserve</b>	<b>43,696</b>	279,327
	<hr/> <hr/>	<hr/> <hr/>

As per the guidance note, where provisions under IFRS 9 exceed provisions under circular 28/10 of the CBUAE, no amount is required to be transferred to the impairment reserve.

#### 43.3 Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows, the maintenance and monitoring of the inventory of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly quality and diverse securities that can be easily liquidated and/or used as collateral in the event of an unforeseen stress on of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains statutory deposits with the Central Bank. The liquidity position is assessed and managed under a variety of stress scenarios, given due consideration to severe yet plausible stress conditions relating to both the market in general and specifically to the Group.

The high quality of the investment portfolio ensures its liquidity and/or eligibility as acceptable collateral and coupled with the Bank's own funds and "evergreen" customer deposits help these forms a stable funding source. Even under adverse conditions, the Bank has access to the funds necessary to cover customer needs and meet its funding requirements.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands. In addition, the Bank monitors various liquidity risk ratios and maintains an up-to-date contingency funding plan.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****43 Risk management (continued)****43.3 Liquidity risk and funding management (continued)****43.3.1 Treasury**

Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

**43.3.2 Asset & Liability Committee ("ALCO")**

The Asset & Liability Management ("ALM") process focusses on planning, acquiring, and directing the flow of funds through the organization. The ultimate objective of this process is to generate adequate stable earnings and to steadily build equity over time, while taking measured business risk aligned to the overall risk appetite of the Bank. The Bank has a defined ALM policy which describes the objective, role and function of the ALCO. This process revolves around ALCO, the body within the Bank that holds the responsibility to make strategic decisions relating to the management of financial position related risks. The ALCO consists of the Bank's senior management including the CEO and normally meets once a month.

**43.3.3 Liquidity risk management process**

The Group's liquidity risk management process, as carried out within the Group and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes reenlistment of funds as they mature or when financing are provided to customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Managing statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of financing maturities.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.3 Liquidity risk and funding management (continued)**

**43.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities**

The table below summarises the maturity profile of the Group's financial assets and liabilities at reporting date based on contractual maturities.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
<b>31 December 2023</b>					
<b>ASSETS</b>					
Cash and balances with central banks	22,777,913	7,629,036	-	1,091,363	31,498,312
Balances and wakala deposits with Islamic banks and other financial institutions	7,120,229	-	110,175	143,402	7,373,806
Murabaha and mudaraba with financial institutions	1,780,816	685,574	1,263,786	199,954	3,930,130
Murabaha and other Islamic financing	6,395,261	11,540,686	39,444,269	9,664,101	67,044,317
Ijara financing	2,165,403	4,140,598	18,938,130	22,713,956	47,958,087
Investments in Islamic sukuk measured at amortised cost	106,858	1,080,963	11,776,546	5,917,182	18,881,549
Investments measured at fair value	2,049,115	620,171	1,488,981	1,443,185	5,601,452
Investment in associates and joint ventures	-	-	-	834,334	834,334
Other assets	2,162,008	107,002	793,845	12,450	3,075,305
Financial assets	44,557,603	25,804,030	73,815,732	42,019,927	186,197,292
Non-financial assets					6,629,900
Total assets					192,827,192
<b>LIABILITIES</b>					
Due to financial institutions	2,488,854	66,150	-	-	2,555,004
Depositors' accounts	133,470,651	14,377,707	9,217,779	857	157,066,994
Other liabilities	2,323,596	201,648	2,588,023	13,309	5,126,576
Sukuk financing instrument	-	-	1,836,250	-	1,836,250
Total liabilities	138,283,101	14,645,505	13,642,052	14,166	166,584,824
<b>31 December 2022</b>					
<b>ASSETS</b>					
Cash and balances with central banks	16,884,794	5,959,803	1,384,705	-	24,229,302
Balances and wakala deposits with Islamic banks and other financial institutions	2,535,837	131,712	110,175	143,370	2,921,094
Murabaha and mudaraba with financial institutions	1,910,946	654,004	1,954,486	-	4,519,436
Murabaha and other Islamic financing	8,496,714	12,636,914	35,068,811	5,820,983	62,023,422
Ijara financing	780,916	3,802,113	18,524,597	22,585,859	45,693,485
Investments in Islamic sukuk measured at amortised cost	114,483	68,927	6,181,146	8,005,735	14,370,291
Investments measured at fair value	1,717,797	187,237	1,428,232	1,728,728	5,061,994
Investment in associates and joint ventures	-	-	-	776,084	776,084
Other assets	1,409,911	247,137	527,620	14,385	2,199,053
Financial assets	33,851,398	23,687,847	65,179,772	39,075,144	161,794,161
Non-financial assets					6,722,930
Total assets					168,517,091
<b>LIABILITIES</b>					
Due to financial institutions	2,834,242	-	-	-	2,834,242
Depositors' accounts	117,574,321	12,193,948	8,368,334	-	138,136,603
Other liabilities	1,574,916	307,901	2,174,119	28,640	4,085,576
Total liabilities	121,983,479	12,501,849	10,542,453	28,640	145,056,421



## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.3 Liquidity risk and funding management (continued)

##### 43.3.4 Analysis of financial assets and financial liabilities by remaining contractual maturities (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations, including cash flows pertaining to principal repayment and profit payable to maturity.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
<b>31 December 2023</b>					
<b>Liabilities</b>					
Due to financial institutions	2,490,774	67,934	-	-	2,558,708
Depositors' accounts	133,833,326	15,556,068	10,636,498	1,304	160,027,196
Other liabilities	2,323,596	201,648	2,588,023	13,309	5,126,576
Sukuk payable	-	-	2,353,313	-	2,353,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	138,647,696	15,825,650	15,577,834	14,613	170,065,793
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>31 December 2022</b>					
<b>Liabilities</b>					
Due to financial institutions	2,835,842	-	-	-	2,835,842
Depositors' accounts	117,879,753	12,943,497	8,944,504	-	139,767,754
Other liabilities	1,574,916	307,901	2,174,119	28,640	4,085,576
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	122,290,511	13,251,398	11,118,623	28,640	146,689,172
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The disclosed financial instruments in the above table are the gross undiscounted cash flows.

The table below shows the contractual expiry of the Bank's contingent liabilities and commitments. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months AED '000	3 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
<b>31 December 2023</b>					
Contingent liabilities	5,611,389	3,063,744	3,946,477	48,814	12,670,424
Commitments	-	-	191,484	-	191,484
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>5,611,389</b>	<b>3,063,744</b>	<b>4,137,961</b>	<b>48,814</b>	<b>12,861,908</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>31 December 2022</b>					
Contingent liabilities	6,028,454	2,752,776	2,801,239	980	11,583,449
Commitments	-	-	120,778	-	120,778
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,028,454	2,752,776	2,922,017	980	11,704,227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Bank does not expect that all of the contingent liabilities or commitments will be drawn before expiry.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.4 Market risk

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Group is exposed to diverse the financial instruments including securities, foreign currencies, equities, structured products and commodities.

The Group pays considerable attention to market risk. The Group uses appropriate models, as per standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

The trading market risk framework comprises of the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by the senior management; and
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on timely basis.

The policies and procedures and the trading limits are set to ensure the implementation of the Group's market risk policy in day-to-day operations. These are viewed periodically to ensure they remain in line with the Group's general market risk policy. The ALCO and ERC ensure that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Group is required to comply with the guidelines and regulations of the Central Bank.

#### 43.4.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-statement of financial position instruments that mature or re-price in a given period. The Group manages this risk through appropriate limits in place and frequent review of the bank's structural position with regard to profit rate risk and its impact on earnings as well as the economic value of its shareholders' equity.

The following table estimates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates (whether increase or decrease) on the net profit for one year, based on the variable profit rate non-trading financial assets and financial liabilities held at 31 December.

	Increase in basis points 2023	Sensitivity of profit on financial assets and liabilities AED '000	Increase in basis points 2022	Sensitivity of profit on financial assets and liabilities AED '000
<i>Currency</i>				
AED	25	40,431	25	45,482
USD	25	70,315	25	67,377
Euro	25	1,789	25	278
Other currencies	25	22,695	25	13,644

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.4 Market risk (continued)**

**43.4.2 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below indicates the extent to which the Group was exposed to currency risk at 31 December on its non-trading monetary assets and liabilities and forecast cash flows. The analysis is performed for a reasonable possible movement of the currency rate against AED with all other variable held constant on the consolidated income statement (due to the changes in fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of foreign currency denominated in consolidated income statement on investments carried at fair value through other comprehensive income - equity instruments and investment in associates and joint ventures).

	<b>% Increase currency rates</b>	<b>Effect on net profit AED '000</b>	<b>Effect on equity AED '000</b>
<i>31 December 2023</i>			
<i>Currency</i>			
USD	5	1,232,253	4,118
Euro	5	(3,403)	5,787
GBP	5	83,741	-
Other currencies	5	96,301	11,707
<i>31 December 2022</i>			
<i>Currency</i>			
USD	5	1,196,239	2,406
Euro	5	(4,280)	4,934
GBP	5	(1,146)	-
Other currencies	5	79,696	12,535

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.4 Market risk (continued)

##### 43.4.2 Currency risk (continued)

The table below shows the Group's exposure to foreign currencies.

	AED AED '000	USD AED '000	Euro AED '000	GBP AED '000	Others AED '000	Total AED '000
<b>31 December 2023</b>						
<b>Financial assets</b>						
Cash and balances with central banks	27,853,288	767,334	3,143	183	2,874,364	31,498,312
Balances and wakala deposits with Islamic banks and other financial institutions	407,906	2,278,677	784,029	53,066	3,850,128	7,373,806
Murabaha and mudaraba with financial institutions	-	702,367	20,889	-	3,206,874	3,930,130
Murabaha and other Islamic financing	42,406,598	16,248,465	174,049	2,514,067	5,701,138	67,044,317
Ijara financing	41,020,333	6,573,810	2,077	7,164	354,703	47,958,087
Investments in Islamic sukuk measured at amortised cost	59,750	18,741,692	80,107	-	-	18,881,549
Investments measured at fair value	86,521	5,351,350	118,492	-	45,089	5,601,452
Investment in associates and joint ventures	487,272	-	114,978	-	232,084	834,334
Other assets	1,553,238	596,981	95,377	1,703	828,006	3,075,305
	<b>113,874,906</b>	<b>51,260,676</b>	<b>1,393,141</b>	<b>2,576,183</b>	<b>17,092,386</b>	<b>186,197,292</b>
<b>Financial liabilities</b>						
Due to financial institutions	1,107,684	1,126,384	67,754	153,161	100,021	2,555,004
Depositors' accounts	118,781,251	22,709,737	1,262,177	699,711	13,614,118	157,066,994
Other liabilities	2,983,577	860,877	15,541	48,492	1,218,089	5,126,576
Sukuk financing instrument	-	1,836,250	-	-	-	1,836,250
	<b>122,872,512</b>	<b>26,533,248</b>	<b>1,345,472</b>	<b>901,364</b>	<b>14,932,228</b>	<b>166,584,824</b>
<b>31 December 2022</b>						
<b>Financial assets</b>						
Cash and balances with central banks	21,313,411	707,181	2,323	204	2,206,183	24,229,302
Balances and wakala deposits with Islamic banks and other financial institutions	56,560	1,537,600	96,187	33,816	1,196,931	2,921,094
Murabaha and mudaraba with financial institutions	-	525,409	20,923	-	3,973,104	4,519,436
Murabaha and other Islamic financing	35,621,452	17,847,119	230,401	1,832,115	6,492,335	62,023,422
Ijara financing	37,429,713	7,731,346	3,750	36,133	492,543	45,693,485
Investments in Islamic sukuk measured at amortised cost	-	14,370,291	-	-	-	14,370,291
Investments measured at fair value	84,560	4,821,616	115,505	-	40,313	5,061,994
Investment in associates and joint ventures	455,534	-	97,940	-	222,610	776,084
Other assets	231,789	556,106	806,660	(13,037)	617,535	2,199,053
	<b>95,193,019</b>	<b>48,096,668</b>	<b>1,373,689</b>	<b>1,889,231</b>	<b>15,241,554</b>	<b>161,794,161</b>
<b>Financial liabilities</b>						
Due to financial institutions	1,288,142	342,802	94,023	1,013,037	96,238	2,834,242
Depositors' accounts	100,350,861	23,396,275	1,213,284	790,002	12,386,181	138,136,603
Other liabilities	2,623,940	384,689	53,316	109,113	914,518	4,085,576
	<b>104,262,943</b>	<b>24,123,766</b>	<b>1,360,623</b>	<b>1,912,152</b>	<b>13,396,937</b>	<b>145,056,421</b>

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 43 Risk management (continued)

#### 43.4 Market risk (continued)

##### 43.4.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's quoted investments in the investment portfolio.

The following table estimates the sensitivity to a possible change in equity markets on the Bank's consolidated other comprehensive income statement. The effect on equity (as a result of a change in the fair value of equity instruments held as investments carried at fair value through other comprehensive income at 31 December) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	% Increase in market indices 2023	Effect on profit or loss 2023 AED '000	% Increase in market indices 2022	Effect on profit or loss 2022 AED '000
<i>Investments carried at fair value through profit or loss</i>				
Abu Dhabi Securities Exchange	10	865	10	-
Other markets	10	2,531	10	2,769
	% Increase in market indices 2023	Effect on Equity 2023 AED '000	% Increase in market indices 2022	Effect on equity 2022 AED '000
<i>Investments carried at fair value through other comprehensive income</i>				
Abu Dhabi Securities Exchange	10	2,658	10	2,959
Dubai Financial Market	10	49	10	37

##### 43.4.4 Operational risk

Operational risk is the potential exposure to financial, reputational or other damage arising from inadequate or failed internal processes, people, systems or external events.

The Bank has implemented a detailed operational risk framework in accordance with Basel III guidelines. The framework articulates clearly defined roles and responsibilities of individuals / units and committees across the Group involved in the management of various operational risk elements. The Operational Risk Management Framework ensures that operational risks within the Group are properly identified, monitored, reported and actively managed. Key elements of the framework include Risk Reviews, "Risk & Control self-Assessment", Loss Data Management, key risk indicators, controls testing, Issues & Actions Management and Reporting. The Framework also fully encompasses and integrates elements of Fraud Risk Prevention and Quality Assurance.

Business and support units are responsible for managing operational risks within their respective functional areas. They operate within the Bank's operational risk management framework and ensure that risk is being pro-actively identified, monitored, reported and managed within their scope of work. The day-to-day operational risks are also managed through the adoption of a comprehensive system of internal control with multi-layers of defense and dedicated systems and procedures to monitor transactions, positions and documentation, as well as maintenance of key backup procedures and business contingency plan which are regularly assessed and tested.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.5 Capital management**

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

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

CCB will be required to be maintained at 2.5% (2022: 2.5%) of the Capital base. CCyB is not yet in effect and is not required to be maintained for 2023 (2022: Nil).

The minimum capital adequacy ratio as per Basel III capital regulation is given below:

	<i>Minimum capital requirement 2023</i>	<i>Minimum capital requirement 2022</i>
<b>Capital Ratio:</b>		
a. Total for consolidated Group	<b>13.00%</b>	<b>13.00%</b>
b. Tier 1 ratio for consolidated Group	<b>11.00%</b>	<b>11.00%</b>
c. CET1 ratio for consolidated Group	<b>9.50%</b>	<b>9.50%</b>

The Group's regulatory capital is analysed into three tiers:

The Bank's capital base is divided into three main categories, namely CET1, AT1 and Tier 2 (‘T2’), depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under ‘CBUAE’ guidelines;
- AT 1 capital comprises an eligible non-common equity capital instrument; and
- T2 capital comprises qualifying subordinated instrument and undisclosed reserve.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**43 Risk management (continued)**

**43.5 Capital management (continued)**

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or to adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

For credit and market risks, the Central Bank of the U.A.E. has issued guidelines for implementation of Standardised approach. For operational risk, the Central Bank of the U.A.E. has given Banks the option to use the Basic Indicators approach or the Standardised approach and the Bank has chosen to use the Basic Indicators approach.

The table below shows summarises the composition of Basel III regulatory capital and the ratios of the Group for the years ended 31 December 2023 and 2022. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject:

	<b>Basel III</b>	
	<b>2023</b>	<b>2022</b>
	<b>AED '000</b>	<b>AED '000</b>
<b>Capital base</b>		
Common Equity Tier 1	<b>16,898,461</b>	14,480,430
Additional Tier 1 capital	<b>4,754,375</b>	4,754,375
	<hr/>	<hr/>
Tier 1 capital	<b>21,652,836</b>	19,234,805
Tier 2 capital	<b>1,564,480</b>	1,344,099
	<hr/>	<hr/>
<b>Total capital base</b>	<b>23,217,316</b>	20,578,904
	<hr/> <hr/>	<hr/> <hr/>
<b>Risk weighted assets</b>		
Credit risk	<b>125,158,385</b>	107,527,886
Market risk	<b>2,370,893</b>	1,934,765
Operational risk	<b>10,681,870</b>	10,394,131
	<hr/>	<hr/>
<b>Total risk weighted assets</b>	<b>138,211,148</b>	119,856,782
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital ratios</b>		
Common Equity Tier 1 ratio	<b>12.23%</b>	12.08%
	<hr/> <hr/>	<hr/> <hr/>
Total Tier 1 capital ratio	<b>15.67%</b>	16.05%
	<hr/> <hr/>	<hr/> <hr/>
Total capital ratio	<b>16.80%</b>	17.17%
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****44 Fair value of financial instruments****Fair value measurement recognized in the consolidated statement of financial position**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instrument by valuation technique:

**Quoted market prices – Level 1**

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions.

**Valuation techniques using observable inputs – Level 2**

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as Shari'a compliant alternatives of derivatives and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

**Valuation techniques using significant unobservable inputs – Level 3**

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Financial instruments under this category mainly include sukuk, private equity instruments and funds measured at FVTPL. The carrying values of these investments are adjusted as follows:

- a) Sukuk – using latest available net book value; and
- b) Private equity instruments and Funds – based on the net asset value assessed internally.

Investment properties are classified as Level 3 as their valuation incorporates significant unobservable inputs. The fair value of the properties has been determined either based on transactions observable in the market or valuation models.

The valuation methodologies considered by valuers include:

- a) Comparison method: This method derives the value by analyzing recent sales transactions of similar properties in a similar location.
- b) Investment method: This method derives the value by converting the future cash flow to a single current capital value.



**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**44 Fair value of financial instruments (continued)**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
<i>31 December 2023</i>				
<b>Assets and liabilities measured at fair value:</b>				
<b>Financial assets</b>				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	33,956	-	-	33,956
Sukuk	1,982,758	-	-	1,982,758
	<u>2,016,714</u>	<u>-</u>	<u>-</u>	<u>2,016,714</u>
Unquoted sukuk	-	-	307,182	307,182
	<u>2,016,714</u>	<u>-</u>	<u>307,182</u>	<u>2,323,896</u>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	27,063	-	-	27,063
Sukuk	3,119,326	-	-	3,119,326
	<u>3,146,389</u>	<u>-</u>	<u>-</u>	<u>3,146,389</u>
<i>Unquoted investments</i>				
Sukuk	-	-	67,726	67,726
Funds	-	-	27,581	27,581
Private equities	-	-	110,787	110,787
	<u>-</u>	<u>-</u>	<u>206,094</u>	<u>206,094</u>
	<u>3,146,389</u>	<u>-</u>	<u>206,094</u>	<u>3,352,483</u>
	<u>5,163,103</u>	<u>-</u>	<u>513,276</u>	<u>5,676,379</u>
Shari'a compliant alternatives of swap (note 38)	-	6,415	-	6,415
	<u>-</u>	<u>6,415</u>	<u>-</u>	<u>6,415</u>
<b>Financial liabilities</b>				
Shari'a compliant alternatives of swap (note 38)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Assets for which fair values are disclosed:</b>				
Investment properties (note 22)	-	-	1,550,816	1,550,816
	<u>-</u>	<u>-</u>	<u>1,550,816</u>	<u>1,550,816</u>
Investment carried at amortised cost - Sukuk	18,138,506	-	-	18,138,506
	<u>18,138,506</u>	<u>-</u>	<u>-</u>	<u>18,138,506</u>
Assets acquired in satisfaction of claims	-	138,047	-	138,047
	<u>-</u>	<u>138,047</u>	<u>-</u>	<u>138,047</u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**44 Fair value of financial instruments (continued)**

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
<b>31 December 2022</b>				
<b>Assets and liabilities measured at fair value:</b>				
<b>Financial assets</b>				
<i>Investments carried at fair value through profit or loss</i>				
Quoted investments	27,691	-	-	27,691
Sukuk	1,633,584	-	-	1,633,584
	<hr/>	<hr/>	<hr/>	<hr/>
	1,661,275	-	-	1,661,275
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Investments carried at fair value through other comprehensive income</i>				
<i>Quoted investments</i>				
Equities	29,958	-	-	29,958
Sukuk	3,200,481	-	-	3,200,481
	<hr/>	<hr/>	<hr/>	<hr/>
	3,230,439	-	-	3,230,439
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Unquoted investments</i>				
Sukuk	-	-	72,420	72,420
Funds	-	-	27,083	27,083
Private equities	-	-	104,460	104,460
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	203,963	203,963
	<hr/>	<hr/>	<hr/>	<hr/>
	3,230,439	-	203,963	3,434,402
	<hr/>	<hr/>	<hr/>	<hr/>
	4,891,714	-	203,963	5,095,677
	<hr/>	<hr/>	<hr/>	<hr/>
Shari'a compliant alternatives of swap (note 38)	-	8,897	-	8,897
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial liabilities</b>				
Shari'a compliant alternatives of swap (note 38)	-	5,950	-	5,950
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Assets for which fair values are disclosed:</b>				
Investment properties (note 22)	-	-	1,561,752	1,561,752
	<hr/>	<hr/>	<hr/>	<hr/>
Investment carried at amortised cost - Sukuk	13,312,922	-	-	13,312,922
	<hr/>	<hr/>	<hr/>	<hr/>
Assets acquired in satisfaction of claims	-	156,538	-	156,538
	<hr/>	<hr/>	<hr/>	<hr/>

There were no transfers between level 1, 2 and 3 during the year.

A significant part of the investments classified under Level 3 are valued using inputs from investment managers and in the opinion of the management it is not practical to disclose the sensitivity of inputs to the valuation techniques used.

## Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

### 44 Fair value of financial instruments (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 of financial assets which are recorded at fair value:

	2023 AED '000	2022 AED '000
At 1 January	203,963	154,280
Net purchases	-	4,012
Gain recorded in equity	2,929	17,963
Movement due to business combination	-	27,708
Foreign currency translation	(798)	-
	<hr/>	<hr/>
At 31 December	<b>206,094</b>	203,963
	<hr/> <hr/>	<hr/> <hr/>

### 45 Social contributions

The social contributions (including donations and charity) made during the year amount to AED 20,000 thousand which were approved by the shareholders at the Annual General Assembly held on 6<sup>th</sup> March 2023.

Dividend to charity relating to year ended 31 December 2023 amounting to AED 20,000 thousand is proposed by the Board of Directors for the approval by the shareholders at the forthcoming Annual General Assembly.

### 46 Profit rate benchmark reform

Based on the decision by global regulators to phase out IBORs and replace them with alternative reference rates (RFRs), the Bank established a project in 2020, in coordination with an external consultant to manage the transition for any of its contracts that could be affected. The Bank had exposure to contracts referencing benchmark rates, such as USD LIBOR, that matured after June 2023. The project was significant in terms of scale and complexity and had a cross-functional impact on the Bank from customer contracts and dealings to the Bank's risk management processes and earnings. The project had senior representatives from functions across the Bank including the client facing teams, Treasury, Finance, Shari'a, Legal, Operations and Technology, to implement plans, processes and procedures to support the transition of its IBOR exposure to RFRs, as well, to prepare its IT systems to accommodate the transition to RFRs. The Governance Framework for this project, which included an internal reporting framework, requires regular updates to be provided to an IBOR Reform Steering Committee. The Bank also performs a monthly review of its exposure and contracts to monitor the scale of transition required from IBOR to RFRs.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)****46 Profit rate benchmark reform (continued)**

IBOR reform exposes the Group to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.
- Legal risk in relation to the fallback risks associated with the transition.
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.
- Accounting risk relating to income statement impact arising from modification gain / loss for cases where the practical expedient is not met.

The Group has developed the operational capability including products and system enhancements to offer new contracts based on RFRs and to process the transition of existing contracts to RFRs. The Group continues to mitigate the risks by engaging in regular discussions with internal and external stakeholders to support an orderly transition, reviewing financial risk management strategies as well as operational and system level changes relating to the transition.

**47 Business combination**

As of 1 October 2022, Abu Dhabi Islamic Bank – Egypt (S.A.E) (“ADIB Egypt”) has been converted from “Joint Venture” to “Subsidiary” of ADIB Group after acquiring further 1.2% shares in ADIB Egypt. This additional acquisition resulted due to participation in the right issuance of ADIB Egypt. The Bank holding increased from 49.6% to 50.8% of ADIB Egypt and as of the date of acquisition i.e. 1 October 2022.

The acquisition has been accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration for acquisition (“purchase price”) were recorded at estimated fair value on the acquisition date.

The allocation of the purchase price may be modified within a period of twelve months from the date of acquisition, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed. The measurement period has been completed and no further adjustments have been identified.

The acquisition would provide opportunities for the Bank to grow its overall banking business in line with its overall growth strategy.

**Notes to the consolidated financial statements  
for the year ended 31 December 2023 (continued)**

**47 Business combination (continued)**

The identifiable assets and liabilities of ADIB Egypt as at the acquisition date were assessed as follows:

	<i>Recognised on acquisition 1 October 2022 AED '000</i>
Cash and balances with central bank	1,219,035
Balances and wakala deposits with Islamic banks and other financial institutions	1,935,697
Murabaha and mudaraba with financial institutions	5,215,768
Murabaha and other Islamic financing	9,804,953
Ijara financing	514,595
Investments measured at fair value	43,784
Investment in associates	38,942
Investment properties	3,085
Other assets	721,689
Property and equipment	706,382
Intangible assets	<u>648,549</u>
<b>Total assets</b>	<b><u>20,852,479</u></b>
Due to financial institutions	511,821
Customers' deposits	16,025,767
Other liabilities	<u>1,747,842</u>
<b>Total liabilities</b>	<b><u>18,285,430</u></b>
<b>Net assets as at acquisition date</b>	<b><u><u>2,567,049</u></u></b>

**Goodwill and intangibles:**

The Bank has now completed the process of undertaking a comprehensive purchase price allocation which was expected to be completed within twelve months from the acquisition date and which focused on, but was not limited to, the following:

- valuation of intangible assets;
- valuation of properties and equipment;
- valuation adjustments on other recognized financial and non-financial assets and liabilities; and
- initial adjustments to fair value of Islamic financing.

The Bank has used the carrying value of financial assets and liabilities as at 1 October 2022, which has been used for the purpose of calculating goodwill:

	<i>1 October 2022 AED '000</i>
Total consideration	1,519,200
Less: Share of net assets acquired at acquisition date by the Bank	<u>(1,302,712)</u>
<b>Goodwill at acquisition</b>	<b><u><u>216,488</u></u></b>