SHARJAH ISLAMIC BANK PJSC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

SHARJAH ISLAMIC BANK PJSC
Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of SHARJAH ISLAMIC BANK PJSC (the "Bank") and its subsidiaries, together referred to as (the "Group") for the year ended 31 December 2023.

Financial Highlights

As at 31 December 2023, total assets of the Bank increased by AED 6.8 billion to reach AED 65.9 billion, an increase of 11.4%.

Investments in Islamic financing increased by 7.7% (AED 2.3 billion) to reach AED 33.0 billion, whereas customer deposits increased by 14.4% (AED 5.7 billion) to reach AED 45.2 billion.

Net operating income before impairment charges and revaluation on investment properties for the Group increased by 29.3% to reach AED 1,290.6 million for the year ended 31 December 2023 as compared to AED 998.3 million for the year ended 31 December 2022.

Impairment charges - net of recoveries and revaluation loss on properties for the year ended 31 December 2023 amounted to AED 439.0 million, compared to AED 347.4 million for the year ended 31 December 2022, an increase of 26.4%

Net profits of AED 851.5 million is recorded for year ended 31 December 2023 compared to AED 650.9 million for the year ended 31 December 2022, a significant increase of 30.8%.

Auditors:

PricewaterhouseCoopers (PwC) were appointed as auditors of the Group for the year ending 31 December 2023 at the Annual General Meeting held on 26 February 2023.

Abdul Rahman Mohammed Nasser Al Owais
Chairman
18 January 2024

Independent auditor's report to the shareholders of Sharjah Islamic Bank PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (together "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 IFRS Accounting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matter	• Measurement of Expected Credit Losses ("ECL")

PricewaterhouseCoopers Limited Partnership Dubai Branch, License no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Independent auditor's report to the shareholders of Sharjah Islamic Bank PJSC (continued)

Our audit approach (continue)

Overview (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Measurement of Expected Credit Losses ("ECL")</td></tr>
<tr><td>The Group applies ECL on all financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and financial guarantee contracts including financing commitments.

The Group exercises significant judgements and makes a number of assumptions in developing its ECL models, which includes probability of default computation separately for retail and corporate portfolios, determining loss given default and exposure at default for both funded and unfunded exposures subject to ECL.

For defaulted exposures, the Group exercises judgements to estimate the expected future cash flows related to individual exposures, including the value of such collateral.

The Group's impairment policy under IFRS 9 is presented in Note 3(b)X to the consolidated financial statements.</td><td>We performed the following audit procedures to assess the adequacy of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2023:

➢ We tested the completeness and accuracy of the data used in the calculation of ECL.
➢ For a sample of exposures, we checked the appropriateness of the Group's application of the staging criteria.
➢ We involved our internal experts to assess the following areas:
• Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9.
• ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) for the Group's classes of financial assets, for models selected for testing.
• Reasonableness of the key assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk.
• For a sample of exposures, recalculation of PD, LGD and EAD and test of mathematical accuracy and appropriateness of discounting used in the ECL calculation.</td></tr>
</table>

Independent auditor's report to the shareholders of Sharjah Islamic Bank PJSC (continued)

Our audit approach (continue)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of ECL is considered as a key audit matter as the Group applies significant judgments, estimates, the use of complex models and this has a material impact on the consolidated financial statements of the Group.	➢ We performed an independent credit assessment for a sample of exposures, including Stage 3 exposures, by assessing quantitative and qualitative factors, including as necessary, assessment of financial performance of the borrower, source of repayments and its history, future cash flows of the borrower and other relevant risk factors. ➢ We assessed the adequacy of the disclosures made in the Group's consolidated financial statements around ECL as required by IFRS.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Management Review, Financial Review and Fatwa and Sharia'a Supervisory Board Report which are expected to be made available to us after that date.

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.

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

When we read the Chairman's Statement, Management Review, Financial Review and Fatwa and Sharia'a Supervisory Board Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report to the shareholders of Sharjah Islamic Bank PJSC (continued)

Responsibilities of Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and Article (114) of the Decretal Federal Law No. (14) of 2018, as amended, and for such internal control as the Directors determine 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, the Directors are 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 the Directors either intend to liquidate the Group or to cease operations, or have 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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.

Independent auditor's report to the shareholders of Sharjah Islamic Bank PJSC (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the Directors' 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

- 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 within 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, actions taken to eliminate threats or safeguards applied.

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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors report is consistent with the books of account of the Group;

v) as disclosed in note 7 to the consolidated financial statements the Group has purchased or invested in shares during the year ended 31 December 2023;

Report on other legal and regulatory requirements (continued)

vi) note 33 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) 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 year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree 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

viii) note 34 to the financial statements discloses the social contributions made during the year ended 31 December 2023.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, as amended, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers Limited Partnership Dubai Branch
22 January 2024

Murad Alnsour
Registered Auditor Number 1301
Place: Dubai, United Arab Emirates

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(Currency: Thousands of U.A.E Dirhams)

	Notes	As at 31 December 2023	2022
Assets			
Cash and balances with banks and financial institutions	5	**3,436,612**	3,261,402
Murabaha and wakalah with financial institutions	6	**10,240,664**	10,848,181
Investment securities measured at fair value	7	**3,961,739**	3,950,587
Investment securities measure at amortised cost	8	**9,582,292**	4,594,791
Investments in Islamic financing	9	**33,030,434**	30,671,517
Acceptances	39	**209,135**	152,822
Investment properties	10	**2,822,991**	3,085,729
Properties held-for-sale	11	**526,215**	335,617
Other assets	12	**1,117,292**	1,248,306
Intangible assets	13	**61,664**	61,988
Property and equipment	14	**889,943**	911,949
Total assets		**65,878,981**	**59,122,889**
Liabilities and shareholders' equity			
Liabilities			
Customers' deposits	15	**45,206,574**	39,529,231
Due to banks	16	**9,053,932**	6,664,385
Sukuk payable	17	**1,834,869**	3,669,693
Acceptances	39	**209,603**	152,902
Other liabilities	18	**1,381,333**	1,393,578
Zakat payable		**66,002**	80,692
Total liabilities		**57,752,313**	**51,490,481**
Shareholders' equity			
Share capital	19	**3,235,678**	3,081,598
Tier 1 sukuk	20	**1,836,500**	1,836,500
Legal reserve	22.1	**1,617,838**	1,541,200
Statutory reserve	22.2	**89,008**	89,008
General impairment reserve	22.3	**164,617**	41,602
Fair value reserve	22.4	**(183,849)**	(305,576)
Retained earnings		**1,366,876**	1,348,076
Total shareholders' equity		**8,126,668**	**7,632,408**
Total liabilities and shareholders' equity		**65,878,981**	**59,122,889**

These consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 18 January 2024 and signed on its behalf by:

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohammed Ahmed Abdullah
Chief Executive Officer

The accompanying notes from pages 15 to 82 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Currency: Thousands of U.A.E. Dirhams)

	Notes	For the year ended 31 December 2023	2022
Income from investments in Islamic financing and sukuks	*23*	**3,088,909**	1,938,661
Distribution to depositors and sukuk holders	*24*	**(1,635,944)**	(725,299)
Net income from financing and investment products		**1,452,965**	**1,213,362**
Fee and commission income	*25*	**353,057**	287,794
Fee and commission expense	*25*	**(77,543)**	(63,619)
Net fee and commission income		**275,514**	**224,175**
Investment income		**75,229**	67,094
Foreign exchange income		**63,672**	23,269
Other income	*26*	**107,642**	81,219
Total operating income		**1,975,022**	**1,609,119**
General and administrative expenses	*27*	**(684,454)**	**(610,824)**
Operating profit before impairment and revaluation		**1,290,568**	**998,295**
Impairment on financial assets - net of recoveries	*28*	**(220,608)**	(313,765)
Revaluation loss on properties		**(218,420)**	(33,616)
Profit for the year		**851,540**	**650,914**
(Attributable to the shareholders of the Bank)			
Basic and diluted earnings per share - restated (U.A.E. Dirhams)	*29*	**0.23**	**0.17**

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SHARJAH ISLAMIC BANK PJSC

CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(Currency: Thousands of U.A.E. Dirhams)

	For the year ended 31 December	
	2023	**2022**
Profit for the year	**851,540**	650,914
(Attributable to the shareholders of the Bank)		
Other comprehensive income		
Items that will be reclassified to profit or loss		
Change in fair value reserve on sukuk investments classified at FVTOCI	**110,374**	(272,393)
Items that will not be reclassified to profit or loss		
Change in fair value reserve on equity investment classified at FVTOCI	**8,333**	(21,284)
Total comprehensive income for the year	**970,247**	**357,237**
(Attributable to the shareholders of the Bank)		

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The independent auditor's report is set out on pages 2 to 7

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Currency: Thousands of U.A.E. Dirhams)

	For the year ended 31 December	
	2023	**2022***
Cash flows from operating activities:		
Profit for the year	**851,540**	650,914
Adjustments for:		
- Amortisation and depreciation	**57,123**	51,837
- Amortisation of sukuk issuance cost	**1,676**	2,279
- Provision charge on investments in Islamic financing	**182,084**	277,349
- Provision charge on investment securities measured at fair value	**26,703**	2,980
- Provision charge on investment securities measured at amortised cost	**13,617**	31,412
- Provision (reversal) / charge on other financial assets	**(2,115)**	694
- Provision charge on subsidiaries	**319**	1,330
- Gain on disposal of properties held-for-sale	**(3,496)**	(11,241)
- Gain on disposal of investment properties	**(12,162)**	(13,606)
- Gain on disposal of investment securities measured at fair value	**(6,516)**	(20,301)
- Revaluation loss on investment properties	**221,497**	35,044
- Revaluation on investment securities measured at fair value through profit and loss	**(5,955)**	13,289
- Reversal of impairment on properties held-for-sale	**(3,077)**	(1,427)
- Foreign exchange (income) / loss on properties	**(8,171)**	17,305
- Gain on disposal of property and equipment	**(9)**	(26)
Operating profit before changes in operating assets and liabilities	**1,313,058**	**1,037,832**
Changes in:		
- Balances with Central Bank of the UAE	**485,588**	(550,076)
- Murabaha and wakalah with financial institutions	**(1,585,098)**	(2,435,333)
- Investments in Islamic financing	**(2,541,001)**	(1,939,848)
- Properties held-for-sale	**(176,086)**	10,129
- Other assets and acceptances	**76,497**	(594,672)
- Customers' deposits	**5,677,343**	1,035,511
- Due to banks	**2,376,062**	2,574,250
- Other liabilities and acceptances	**34,456**	733,378
Net cash generated from / (used in) operating activities	**5,660,819**	**(128,829)**
Cash flows from investing activities:		
Acquisition of property and equipment and intangible assets	**(34,809)**	(76,305)
Disposal of property and equipment and intangible assets	**25**	119
Acquisition of investment properties	**(24,468)**	(49,491)
Disposal of investment properties	**78,103**	101,976
Acquisition of investment securities measured at fair value	**(833,061)**	(2,476,580)
Disposal / redemption of investment securities measured at fair value	**926,384**	105,751
Acquisition of investment securities measured at amortised cost	**(5,203,767)**	(780,121)
Disposal / redemption on investment securities measured at amortised cost	**202,649**	620,783
Net cash used in investing activities	**(4,888,944)**	**(2,553,868)**

The accompanying notes from pages 15 to 82 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(Currency: Thousands of U.A.E. Dirhams)

	For the year ended 31 December	
	2023	**2022***
Cash flows from financing activities:		
Profit paid on tier 1 sukuk	**(91,825)**	(91,825)
Settlement of sukuk	**(1,836,500)**	-
Cash dividend	**(308,160)**	(246,528)
Zakat paid	**(80,692)**	(64,446)
Net cash used in financing activities	**(2,317,177)**	**(402,799)**
Net decrease in cash and cash equivalents	**(1,545,302)**	**(3,085,496)**
Cash and cash equivalents, beginning of the year	**7,314,124**	10,399,620
Cash and cash equivalents, end of the year	**5,768,822**	**7,314,124**

	As at 31 December	
	2023	**2022**
Cash and cash equivalents		
Cash and balances with banks and financial institutions	**1,596,387**	935,589
Murabaha and wakalah with financial institutions	**4,198,230**	6,390,845
Due to banks	**(25,795)**	(12,310)
Cash and cash equivalents, end of the year	**5,768,822**	**7,314,124**

** Refer to note 39 for disclosure on changes in comparative information*

The accompanying notes from pages 15 to 82 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(Currency: Thousands of U.A.E. Dirhams)

	ATTRIBUTABLE TO THE SHREHOLDERS OF THE BANK							
	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2022	**3,081,598**	**1,836,500**	**1,540,799**	**89,008**	**64,577**	**(12,097)**	**1,094,392**	**7,694,777**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	650,914	650,914
Other comprehensive income								
Net changes in fair value reserve	-	-	-	-	-	(293,677)	-	(293,677)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(293,677)**	**650,914**	**357,237**
Transactions recorded directly in equity								
Cash dividend (note 35)	-	-	-	-	-	-	(246,528)	(246,528)
Realized loss on equity instruments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	198	(198)	-
Transfer to legal reserve (note 22)	-	-	401	-	-	-	(401)	-
Transfer to general impairment reserve (note 22)	-	-	-	-	(22,975)	-	22,975	-
Tier 1 sukuk profit paid	-	-	-	-	-	-	(91,825)	(91,825)
Zakat	-	-	-	-	-	-	(74,040)	(74,040)
Board of directors' fees (note 21)	-	-	-	-	-	-	(7,213)	(7,213)
Total transactions with owners	**-**	**-**	**401**	**-**	**(22,975)**	**198**	**(397,230)**	**(419,606)**
As at 31 December 2022	**3,081,598**	**1,836,500**	**1,541,200**	**89,008**	**41,602**	**(305,576)**	**1,348,076**	**7,632,408**

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SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023
(Currency: Thousands of U.A.E. Dirhams)

	ATTRIBUTABLE TO THE SHREHOLDERS OF THE BANK							
	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2023	**3,081,598**	**1,836,500**	**1,541,200**	**89,008**	**41,602**	**(305,576)**	**1,348,076**	**7,632,408**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	851,540	851,540
Other comprehensive income								
Net changes in fair value reserve	-	-	-	-	-	118,707	-	118,707
Total comprehensive income for the year	-	-	-	-	-	118,707	851,540	970,247
Transactions recorded directly in equity								
Cash dividend (note 35)	-	-	-	-	-	-	(308,160)	(308,160)
Bonus shares issued (note 35)	154,080	-	-	-	-	-	(154,080)	-
Realized loss on equity instruments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	3,020	(3,020)	-
Transfer to legal reserve (note 22)	-	-	76,638	-	-	-	(76,638)	-
Transfer to general impairment reserve (note 22)	-	-	-	-	123,015	-	(123,015)	-
Tier 1 sukuk profit paid	-	-	-	-	-	-	(91,825)	(91,825)
Zakat	-	-	-	-	-	-	(66,002)	(66,002)
Board of directors' fees (note 21)	-	-	-	-	-	-	(10,000)	(10,000)
Total transactions with owners	154,080	-	76,638	-	123,015	3,020	(832,740)	(475,987)
As at 31 December 2023	3,235,678	1,836,500	1,617,838	89,008	164,617	(183,849)	1,366,876	8,126,668

The accompanying notes from pages 15 to 82 form an integral part of these consolidated financial statements.
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1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates ("UAE") and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulations of Central Bank of the UAE ("CBUAE"), which are carried out through its 32 branches *(As at 31 December 2022: 34 branches)* established in the UAE.

At the extraordinary shareholders' meeting held on 18 March 2001 a resolution was passed to transform the Bank' s activities to be in full compliance with the Islamic Shari'a rules and principles. The entire process was completed on 30 June 2002 ("the transformation date"). As a result the Bank transformed its conventional banking products into Islamic banking products during the 6-month period ended 30 June 2002 after negotiation and agreement with its customers.

The consolidated financial statements of the Group comprises the Bank and its fully owned subsidiaries incorporated in the United Arab Emirates, Sharjah National Hotels ("SNH"), Sharjah Islamic Financial Services LLC ("SIFS"), ASAS Real Estate ("ASAS") as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited (altogether referred to as the "Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank' s Sukuk program.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Corporate Tax Law") to enact a Federal corporate tax regime in the UAE.

The Corporate Tax regime became effective for the accounting year beginning on or after 1 June 2023 hence for the Group it will be effective from 1 January 2024. Refer to note 38 for the details of impact of the Corporate Tax Law on the Group.

The registered address of the Bank is Post Box No.4, Sharjah, United Arab Emirates. \

2. Basis of preparation

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards") as issued by International Accounting Standard Board (" IASB") , and comply with the guidance of the CBUAE, Islamic Shari' a principles and applicable requirements of the UAE Federal law.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Bank has assessed and is in compliance with the requirements thereof.

2. Basis of preparation (continued)

b. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for, provision for employees' end of service benefits which is measured using the projected credit unit method under IAS 19, and the following material items in the consolidated statement of financial position which are measured at fair value:
i) financial assets at fair value through profit or loss (FVTPL);
ii) financial assets at fair value through other comprehensive income (FVTOCI); and
iii) investment properties at fair value.

c. Functional and presentation currency

These consolidated financial statements of the Group are presented in UAE Dirhams ("AED"), which is the Group's functional and presentation currency, rounded to the nearest thousand.

d. Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group' s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. In particular, these estimates and judgments relate to;

- impairment losses on investments in Islamic financing (refer to notes 9 & 30);
- impairment losses on investments securities measured at FVTOCI and amortised cost (refer to notes 7, 8 & 30);
- net realizable value of held for sale properties (refer to notes 11 & 30);
- valuation of unquoted investment securities and impairment on investment securities (refer to notes 7 & 8); and
- fair value of investment properties (refer to notes 10 & 30).

Information about estimates and judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the note 4(ii)(a); where establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL is detailed.

3. Material accounting policies

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the adoption of new accounting standards stated in note 3(y). The material accounting policies adopted in preparation of these consolidated financial statements are as follows:

a. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

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

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

3. Material accounting policies (continued)

a. Basis of consolidation (continued)

i) Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

ii) Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

iv) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the Islamic securitization of particular assets, or the execution of a specific financing transaction. Special purpose entities are included in the Group’s consolidated financial statement where the substance of the relationship is that the Bank controls the special purpose entity.

b. Non-derivative financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa.

i) Initial measurement

Financial assets and liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

ii) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

I. Classification of financial assets

Cash and balances with banks and financial institutions, murabaha and wakalah with financial institutions, investment in Islamic financing, investments in sukuk held to maturity and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition):

- 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 instrument 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.

II. Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are supporting those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group 's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group 's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

III. Cash flow characteristics assessment

Assessment of whether contractual cash flows are" solely payments of principal and profit (SPPP)"

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic financing arrangement. Contractual cash flows are consistent with a basic financing arrangement if they represent cash flows that are solely payments of principal and profit on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit rate margin.

In assessing whether the contractual cash flows are SPPP, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- early settlement and extension terms;
- terms that limit the Group' s claim to cash flows from specified assets (e.g. non-recourse financing); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

The Bank does hold a portfolio of long-term fixed-rate financing for which the Group has the option to propose to revise the profit rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The customers have an option to either accept the revised rate or redeem the financing at par without penalty. The Group has determined that the contractual cash flows of these financings are SPPP because the option varies the profit rate in a way that is consideration for the time value of money, credit risk, other basic financing risks and costs associated with the principal amount outstanding.

IV. Effective profit rate method

The effective profit rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised in the consolidated statement of profit or loss on an effective profit rate basis for financing and investing instruments measured subsequently at amortised cost.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

V. Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as financial assets at fair value through profit or loss, unless the Group designates them as an investment that is not held for trading and are accordingly carried at fair value through other comprehensive income (FVTOCI).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

Financial assets that do not meet the amortised cost criteria are measured at FVTPL or FVOCI. In addition, financial assets that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. Financial assets 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 and losses on them on different basis.

Financial assets are subsequently measured at fair value, with any gains or losses arising in re-measurement recognised in the consolidated statement of profit or loss. All directly attributable costs are charged to consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVTPL or FVOCI is recognised in the consolidated statement of Profit or loss when Group's right to receive is established.

VI. 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 equity investments under the classification of FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A sukuk is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

i. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPP on the principal amount outstanding.

Financial assets are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Gains / losses on disposals of equity instruments are not recognised in the consolidated statement of profit or loss and are transferred to retained earnings within the consolidated statement of changes in equity.
Dividends on equity investments are recognised in the consolidated statement of profit or loss when Group's right to receive is established.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

VII. Financial assets measured at amortised cost

A financial asset shall be measured at amortised cost if both of 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.

Financial assets are subsequently measured at amortised cost using their effective profit less any impairment.

Subsequent to the initial recognition, the Group is required to reclassify investments from amortised cost to FVTPL or FVOCI, if the objective of the business model changes so that the amortised cost criteria is no longer met.

VIII. Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Accordingly:

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in consolidate statement of profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

IX. Type of financial assets held by the Group

The following terminologies for financial assets, classified under each of the financial instrument classification mentioned above, have been used in preparation of these consolidated financial statements:

Murabaha is an agreement for sale of commodities purchased by the Group based on the promise of the customer to buy the commodities on a cost plus the agreed profit basis.

Istisna'a is a sale contract between two parties whereby the Group undertakes to construct, for its customer, a specific asset or property according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount.

Wakalah is an agency or a delegated authority where the muwakkil (principal) appoints the wakil (agent) to carry out a specific job on behalf of the muwakkil.

Musharaka is an agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

IX. Type of financial assets held by the Group (continued)

Sukuks are asset backed Shari'a compliant trust certificates.

Qard Hasan receivables are non-profit bearing financing receivables whereby the customer borrows funds for a period of time with an understanding that the same amount shall be repaid at the end of the agreed period.

Ijarah is classified as a finance lease, when the Group transfers substantially all the risks and rewards incident to an ownership of the Ijarah receivable to the lessee. Ijarah receivable represent finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. The lease agreements provide that the lessor undertakes to transfer the leased property to the lessee upon receiving the final rental payment or the agreed price. Ijarah receivables are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

X. Impairment of financial assets

The IFRS 9 expected credit loss model is a forward-looking approach. Expected credit losses reflect the present value of all cash shortfalls related to default events either:

i. over the following twelve months, or
ii. over the expected life of a financial instrument depending on credit migration from inception. Expected credit loss (ECL) should reflect an unbiased, probability-weighted outcome as opposed to the single best estimate allowed under the current approach. The probability-weighted outcome considers multiple scenarios based on reasonable forecasts.

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Group has developed new methodologies and models taking into account the relative size, quality and complexity of the portfolios.

IFRS 9 ECL Impairment model uses a three stage approach based on the extent of credit deterioration since origination:

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 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity. This Stage 1 approach is different to the current approach which estimates a collective allowance to recognize losses that have been incurred but not reported on performing Islamic financing.

Stage 2 When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on a lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are 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.

Stage 3 Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii. Financial assets (continued)

X. Impairment of financial assets (continued)

Assessment of significant increase in credit risk

Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgement are:

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since the initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

i. the remaining lifetime PD as at the reporting date; with
ii. the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

At each reporting date, the assessment of a change in credit risk will be assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to stage 2 from stage 3 or from stage 2 to stage 1, if the increase in credit risk since origination has reduced and is no longer deemed significant, subject to the guidelines as specified by the Central Bank of UAE (CBUAE) which are in line with IFRS 9.

Macroeconomic factors, forward looking information (FLI) and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Based on advice from the Risk management department and external economic experts and consideration of a variety of external actual and forecast information, the Group has formulated a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios, which shall in turn be probability weighted to determine ECL.

Expected life

When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including early settlement options, extension and rollover options. For credit cards 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.

Experienced credit judgment

The Bank's ECL allowance methodology, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii. Financial assets (continued)

X. Impairment of financial assets (continued)

Definition of default and write-off

Default definition followed by the Bank for the impairment assessment remains in line with the guidelines of IFRS 9 and CBUAE, without any recourse to the assumptions. Inputs and assumptions into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Financial assets are written off only in circumstances where all reasonable restructuring and collecting activities have been exhausted.

Modified financial assets

The contractual terms of investment in Islamic financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing investment in Islamic financing whose terms have been modified may be derecognized and the renegotiated investment in Islamic financing recognized as a new financing at fair value. If the expected modifications do not result in the derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

XI. Derecognition of financial assets

The Group derecognises financial assets when the contractual right to the cash flows from the financial assets expires, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of the ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in the consolidated statement of profit or loss, except for equity instruments designated at fair value through OCI.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities and is instead transferred to retained earnings in the consolidated statement of changes in equity. Gains and losses on sukuks recognised in OCI are reclassified to profit and loss upon derecognition.

iii. Classification of financial liabilities

The Group has classified all its financial liabilities at amortised cost. These include customer deposits, due to banks, sukuk payable, other liabilities, except zakat payable.

iv. Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated statement of profit or loss.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

XI. Derecognition of financial assets (continued)

v. Fair value measurement principles

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If there is no quoted price in an active market, then the Group uses valuation technique that maximises the use of relevant observable inputs and minimise the use of unobservable inputs.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Investments in unlisted funds and securities are fair valued internally by using valuation techniques. Where valuation techniques (such as models) are used to determine fair values these models are tested before they are used and are calibrated to ensure that outputs reflect actual data and comparative model prices.

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

c. Investment properties

Properties held for rental or capital appreciation are classified as investment properties. Investment properties are initially stated at cost and subsequently measured at fair value, determined at least annually by an independent professional valuer. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of profit or loss.
An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

Transfers to and from investment properties are made when and only when there is change in use, evidenced by either starting or ending of owner-occupation, commencement or cessation of an operating lease to another party or commencement or cessation of construction or a development plan.

3. Material accounting policies (continued)

d. Properties held-for-sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress.

Transfer to and from held-for-sale properties is in case of change in use.

e. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Except for freehold land, property and equipment are depreciated on a straight-line basis over their estimated useful lives, using annual rates of 5% to 33% depending on the type of asset involved. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in consolidated statement of profit or loss.

f. Intangibles

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis to the consolidated statement of profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is seven years, except for core banking software, which is amortised over eighteen years.

h. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties are reviewed at each reporting date to determine whether there is any indication of impairment, if any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of a non-financial asset is the greater of its value in use and its fair value less cost to sell. The reduction in value is recognised in the consolidated statement of profit or loss.

An impairment loss is reversed only to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Material accounting policies (continued)

i. Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

j. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with the CBUAE (excluding statutory reserves), nostro balances with other banks and financial institutions, international murabaha and wakalah arrangements, due to banks and other highly liquid assets with original maturities of three months or less from the date of acquisition, and are used by the Group in the management of its short term commitments.

k. Other liabilities

These include financial liabilities and other payables. Financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortised cost using the effective profit method.

Other payables are stated at cost and are recognised for amounts to be paid in the future for goods or services received, whether or not billed.

l. 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.

m. Provision

A provision is recognised as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n Zakat

Zakat is computed in accordance with the Bank’s Articles of Association and is approved by the Bank’s Fatwa and Shari’a Supervisory Board. Zakat is calculated at 2.577% (to account for the difference between the Gregorian and Lunar calendar) on the Bank’s reserves, retained earnings and provision for staff end of service benefits at the year end and the Bank is repsonsible for paying it, while it is the Bank’s shareholders responsibility to pay the Zakat on their respective share in the Bank’s capital and the distributed cash dividends.

3. Material accounting policies (continued)

o. Financial guarantees and financial commitments

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under IFRS 9: Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to financing or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

p. Revenue recognition

Murabaha

The profit on Murabaha is quantifiable and contractually determined at the commencement of the contract; profit is recognised as it accrues over the period of the contract on an effective profit basis.

Ijarah

Income from Ijarah receivable is recognised on an accrual basis on an effective profit basis.

Fees and commissions

Fees and commissions income relating to underwriting and financing activities is recognised as the related service is performed. Fees and commission income and expense that are integral to the effective profit rate on a financial asset or financial liability are included in the measurement of the effective profit rate. Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Income from hospitality, brokerage and real estate

Income from hospitality, brokerage and real estate includes revenue from provision of accommodation, food, beverages and brokerage commission relating to the services provided by the subsidiaries.

Revenue from provision of accommodation, food, beverages and other services is recognised on an accrual basis as the services are rendered.

Commissions are accounted for on the completion of the brokerage deal.

Revenue from sale of properties

Revenue on sale of properties is recognised when control over the unit has been transferred to the customer, which is considered to be at a point in time, when the customer has taken possession of the unit.

3. Material accounting policies (continued)

p. Revenue recognition (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Retail and corporate banking services	Revenue recognition under IFRS 15
The Group provides banking services to retail and corporate customers including trade finance, account management, foreign currency transactions, credit cards and servicing fees (e.g. documentation and processing fee). Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place. The premium received on trade finance activities is recognised in the consolidated statement of profit or loss on a straight-line basis over the life of the guarantees and letters of credit.
Investment related activities	**Revenue recognition under IFRS 15**
The Group's investment segment provides various finance-related services, including finance administration and agency services, administration of a finance syndication, execution of client transactions with exchanges and securities underwriting. Fees for ongoing services are charged annually at the end of the calendar year to the customer's account. However, if a customer terminates the contract before 31 December, then on termination it is charged the fee for the services performed to date. Transaction-based fees for administration of a finance syndication, execution of transactions, and securities underwriting are charged when the performance obligation has been fulfilled.	Revenue from administrative agency services is recognised over time as the services are provided. The amounts to be collected from customers on 31 December are recognised as trade receivables. Revenue related to transactions is recognised at the point in time when the performance obligation has been fulfilled.

Rental income

Rental income from investment properties is recognised in profit and loss on a straight-line basis over the term of the leases.

Dividend income

Dividend income is recognised in the consolidated statement of profit or loss when the Group's right to receive income is established. Usually this is the ex-dividend date for equity securities.

3. Material accounting policies (continued)

q. Provision for end-of-service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000. Provision is made for the employees' end of service indemnity in accordance with the UAE labour law for their periods of service up to the reporting date in accordance with the UAE Labour Law. The liability for employees end of service benefits is recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period and is calculated annually using the projected unit credit method in accordance IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation with.

r. Due to banks

Amounts due to banks are initially recognised at the fair value of the consideration received, and are subsequently measured at amortised cost using the effective profit method.

s. Customers' deposits

The Bank accepts customer savings and time deposits on a mudaraba and wakalah basis, whereas current and other similar in nature deposits are accepted on a Qard Hassan (profit free finance) basis.

Islamic customers' deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

Distribution to depositors for Mudaraba deposits are calculated in accordance to the Group ' s standard procedures and are approved by the Group's Sharia' Supervisory Board.

t. General impairment reserve

The general impairment reserve is maintained in accordance with the guidelines of the CBUAE as issued in March 2018. The general impairment reserve is calculated as a difference between 1.5% of total credit risk weighted assets and ECL (stage 1 and 2). If the general impairment allowance as per the CBUAE requirement is greater than ECL (stage 1 and 2), the difference is transferred to general impairment reserve as an appropriation from the retained earnings.

At each subsequent reporting date, the general impairment reserve is recomputed and any resultant difference is either released to retained earnings or transferred from retained earnings to arrive at 1.5% of credit risk weighted assets, together with general impairment reserve and ECL (stage 1 and 2). No general impairment reserve is required to be maintained in case ECL (stage 1 and 2) is greater than 1.5% of credit risk weighted assets.

u. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary share. Basic EPS is calculated by dividing the profit or losses attributable to ordinary shareholders of the Bank (adjusted by the profit paid on Tier 1 sukuk) by the weighted average number of ordinary share outstanding during the year. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3. Material accounting policies (continued)

v. Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective profit and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in consolidated statement of profit or loss, other than investments classified as FVOCI, where the exchange translation is recognised in other comprehensive income.

w. Segment reporting

Income and expenses directly associated with each segment, as well as those that can be reasonably associated on a reasonable basis, are included in determining business segment performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group of persons that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Group's Management Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis.

x. Leases

The Group leases various offices and properties for the purpose of its operations of branches. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

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 finance cost is charged to profit or loss 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 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, 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 rate is used, being the rate that the Group would have to pay to arrange the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3. Material accounting policies (continued)

x. Leases (continued)

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

y. New and revised IFRS adopted in the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

New standards and significant amendments to standards applicable to the Group	Effective date
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8 The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

3. Material accounting policies (continued)

y. New and revised IFRS adopted in the consolidated financial statements (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
IFRS 17 "Insurance contracts"	1 January 2023

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

• right-of-use assets and lease liabilities, and
• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

3. Material accounting policies (continued)

z. New and revised IFRS in issue but not yet effective and not early adopted

New standards and significant amendments to standards applicable to the Group	Effective date
Amendments to IAS 1, Presentation of financial statements on classification of liabilities The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g.the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. In June 2021, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2024.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

4. Risk management

i. Risk management framework

The Board of Directors (the "Board" or "BOD") is responsible for the overall framework of the risk governance and management. The Board is responsible for determining risk strategy, setting the Group's risk appetite and ensuring that risk exposure is monitored, controlled effectively and kept within the set limits. It is also responsible for establishing a clearly defined risk management structure and for approval of the risk policies and procedures, infrastructure and management of all risks related to the Group.

In order to effectively discharge this responsibility, the Board is assisted by Board Committees and Management Committees. The briefing about the role and function of each committee is as follows:

4. Risk management (continued)

i. Risk management framework (continued)

Executive Committee (EC)

EC acts as the Board' s senior executive management assuring that the Board meets its strategic and operational objectives. EC consists of four members. The EC's purpose is to assist the Board in fulfilling its oversight responsibility by:

- Approving credit / investment facilities within the prescribed financing authority delegated by the Board; and
- Ensuring that a careful balance is maintained between the need to meet customer's credit requirements on one hand and the Bank's asset quality, profitability objectives and related risk consideration, on the other.

Group Audit Committee (AC)

The AC consists of Board members and its purpose is to assist the Board in fulfilling its oversight responsibility by:

- Overseeing the Group's financial reporting processes, maintaining accounting policies, reviewing and approving the financial information; and
- Reviewing reports on the internal controls.
- Managing the relationship with the Group's external auditors; and
- Reviewing the internal audit reports and monitors control issues of major significance of the Group.

Board Risk Committee (BRC)

The BRC consists of Board Members and its purpose is to assist the Board in fulfilling its oversight responsibility by:

- Overseeing the risks inherent in the businesses of the Group and the control processes with respect to such risks;
- Reviewing the risk profile of the Group;
- Managing the Risk Management Compliance and control activities of the Group;
- Providing a critical assessment of the organis ation' s business strategies and plans from an Enterprise risk
- Ensuring that appropriate policies and procedures are in place for managing risks to which the Group is exposed.

Board Nomination & Compensation Committee (BNCC)

The basic purpose of the Board Nomination & Compensation Committee ("BNCC") is to lead the process for Board and Senior Management appointments, compensation, and make recommendations to the Board. BNCC shall also recommend the appointment of Internal Shari’ah Supervisory Committee members to the Board for approval.

Management Committee (MC)

The scope of management committee includes all cross functional issues that are not covered in the scope of other committees. Typically, MC covers the areas like strategic, policies, human resources, marketing and administrative processes. In addition, the MC is also responsible to liaise with all other units / divisions across the Group.

Investment Committee (IC)

The purpose of the IC is to review the quality of the Group' s Investment portfolio on behalf of the Board of Directors, trends affecting the portfolio, the administration of investment related policies, as well as the approval of Investment proposals, including Sukuks and Syndicate Finance within the approval limit set by the BOD.

IT Steering Committee (ITSC)

The ITSC provides strategic and tactical guidance for managing the Group's overall technology systems in the long and short term, to ensure that Information Technology (IT) initiatives are consistent with the strategic business goals of the Group. The ITSC is charged with assisting the Board in:

- Providing guidance in the prioritization and implementation of technology initiatives and projects (including those related to infrastructure);
- Reviewing IT operations;
- Reviewing IT Security plans, policies and reports relating to the effectiveness of information security, their implementation and measures taken to address any residual risks;
- Reviewing Business Continuity plans, policies and reports relating to the effectiveness of business continuity, their implementation and measures taken to address any residual risks; and
- Reviewing the Group's IT development, strategic opportunities and plans.

4. Risk management (continued)

i. Risk management framework (continued)

Asset and Liability Committee (ALCO)

The objective of ALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of profit rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group ' s risk appetite and levels of exposure as determined by the Board of Directors. The roles of ALCO include the following:

Develop an effective asset and liability management process and related procedures to oversee and monitor the Group's approved policies and procedures in relation to the management and control of the following risks:

- Liquidity risk being the risk from the Group's inability to meet obligations when they become due without incurring unacceptable losses because of an inability to liquidate assets or to obtain adequate funding;

- Market risk being the following risks;
  - The risk to earnings from adverse movements in profit rates, exchange rates and market volatility; and
  - The risk from changes in the value of portfolio of financial instruments;

- Statement of financial position risk - being the following risks;
  - The risk to earnings from changes in profit rates and market volatility in retail and wholesale rates;
  - The risk to value and capital from changes in the value of assets and liabilities as a result of changes in profit rates and market volatility; and
  - The risk from material changes in global and domestic economic conditions generally.

Information Security Working Group Committee (ISWGC)

The purpose of the Information Security Working Group Committee ("ISWGC") is to ensure that there is clear direction and visible management support for information security initiatives. The committee shall be responsible for the

- To provide oversight of information security policies , procedures, plans, and execution intended to provide confidentiality, availability, and integrity of the information.
- To formulate the tasks related to Information Security Management System ("ISMS") rollout like Risk Management, Policy and Procedure Deployment, Information Security Awareness, Information Security Incident Monitoring, Measurement of control effectiveness, etc.
- To oversee the effectiveness of the information security controls with respect to its information systems, including network security and data security.
- To monitor the significant development in information security related projects, incidents handling and risk
- To review the changes to significant threats and exposures of information assets against cyberattacks, insider activity, error or control failure.

Risk management group (RMG)

In order to manage credit, market, operational and IT security risks, RMG is in place. Its role includes the following:

- develop a strategy, policy framework for risk management such that these are aligned with business requirements;
- provide support to the Group in implementation of the framework;
- bring together analysis of risk concentrations and sensitivities across the Group;
- act as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by ALCO; and
- provide independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they are maintained in a robust manner.

4. Risk management (continued)

i. Risk management framework (continued)

Credit Committee (CC)

CC manages the credit risk of the Group by continuous review of credit limits, policies and procedures, the approval of specific exposures and work out situation, constant revaluation of the finances portfolio and the sufficiency of provisions thereof.

Compliance

In SIB, Compliance is an independent control function headed by Head of Compliance and constitutes the second line of defense. The main role of Compliance is to ensure that bank operates with integrity and adhere to applicable laws, regulations and internal policies. Moreover, Compliance function mitigates risks related to misconduct, money laundering and other forms of non-compliance. Compliance is responsible for having an independent oversight of the Bank' s Compliance risks by performing risk assessment, monitoring activities, advisory work and providing independent report to Senior Management and the Board of Directors. The overall role of compliance is to:

- ensure compliance risks are adequately identified, assessed, monitored and controlled in conjunction with Business and other control functions;
- ensure senior management is fully informed of significant compliance issues including "KYC" and " AML", and plans for their resolution;
- contribute to a "no surprise" compliance culture by educating and communicating compliance awareness
- align annual compliance plans with business strategies and goals; and
- meet regulatory expectations.

Internal audit

The role of the internal audit department within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group' s policies and procedures.

It is led by the head of internal audit who reports to the Audit Committee of the Board of Directors, with administrative reporting to the Chief Executive Officer ("CEO"). To perform its role effectively, internal audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

Internal control

The role of the internal control department is to ensure that the Group has a sound internal control system in place, meeting international standards and fulfilling the requirements of the Group' s management and external regulatory bodies. The functions and responsibilities of the internal control department include:

- Ensuring that the Group ' s operational policies , processes and controls are adhered to;
- Ensuring that proper internal controls are in place and that they are functioning as designed in a timely and effective manner;
- Periodic review of the Group's internal control system in order to identify areas where internal controls may be weak, not present and areas where there appear to be excessive controls resulting in operational inefficiency so as to suggest ways to rectify the same;
- Enable the management to conduct an annual review of the efficiency of the internal control system and report its findings; and
- Follow up of the operational activities from a preventive and detective angle and oversee operational controls being exercised to ensure that these are timely and effective.

4. Risk management (continued)

ii. Financial risk management

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Risk is inherent to the Group's business and activities. The Group's ability to identify, assess, monitor and manage each type of risk to which the Group is exposed is an important factor in its financial stability, performance and reputation.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

This note presents information relating to the Group's exposure to each of the above risks, the Group' s objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

a. Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's investment in Islamic financing, cash and balances with financial institutions, murabaha and wakala with financial institutions, acceptances, other assets (except prepayments and assets available for sale) and investments securities in sukuks measured at fair value and amortised cost. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposures into different sectors.

The Group manages its credit risk exposure through diversification of its financing activities and investments to avoid concentration of risk with individuals or group of customers in specific location or business.

In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Regular audits of business units and Group credit processes are undertaken by the internal audit division.

Concentration risk arises when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any.

Concentration of credit risk by industrial sector for investment in Islamic financing are presented in note 9(b). Concentration of credit risk by geographical distribution is set out in note 31.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

II. Credit quality*

The table below shows the gross and net maximum exposure to credit risk for the Group.

	As at 31 December 2023			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	**312,391**	**22**	**-**	**312,413**
Loss allowance	**(79)**	**(4)**	**-**	**(83)**
Carrying amount	**312,312**	**18**	**-**	**312,330**
Murabaha and wakalah with financial institutions	**4,844,206**	**-**	**-**	**4,844,206**
Loss allowance	**(3,542)**	**-**	**-**	**(3,542)**
Carrying amount	**4,840,664**	**-**	**-**	**4,840,664**
Investment securities measured at FVTOCI (excluding equity investments)	**2,882,488**	**-**	**-**	**2,882,488**
Loss allowance	**(30,612)**	**-**	**-**	**(30,612)**
Carrying amount	**2,851,876**	**-**	**-**	**2,851,876**
Investment securities measured at amortised cost	**9,584,148**	**10,870**	**60,309**	**9,655,327**
Loss allowance	**(12,045)**	**(681)**	**(60,309)**	**(73,035)**
Carrying amount	**9,572,103**	**10,189**	**-**	**9,582,292**
Investments in Islamic financing	**30,661,767**	**2,085,311**	**1,891,680**	**34,638,758**
Loss allowance	**(144,928)**	**(258,745)**	**(1,204,651)**	**(1,608,324)**
Carrying amount	**30,516,839**	**1,826,566**	**687,029**	**33,030,434**
Other assets and acceptances (excluding non-financial assets)	**1,245,336**	**-**	**37,286**	**1,282,622**
Loss allowance	**(9,091)**	**-**	**(37,286)**	**(46,377)**
Carrying amount	**1,236,245**	**-**	**-**	**1,236,245**
Net credit risk exposures relating to on-balance sheet assets	**49,330,039**	**1,836,773**	**687,029**	**51,853,841**
Letter of credit and guarantee	**948,653**	**8,265**	**1,034**	**957,952**
Loss allowance	**(2,384)**	**(661)**	**(63)**	**(3,108)**
Net credit risk exposures relating to off-balance sheet assets	**946,269**	**7,604**	**971**	**954,844**
	50,276,308	**1,844,377**	**688,000**	**52,808,685**
Gross credit risk exposure	**50,478,989**	**2,104,468**	**1,990,309**	**54,573,766**
Total loss allowance	**(202,681)**	**(260,091)**	**(1,302,309)**	**(1,765,081)**
	50,276,308	**1,844,377**	**688,000**	**52,808,685**

* Financial assets classified as fair value through profit and loss and equity instruments classified as fair value through other comprehensive income are not subject to any impairment under IFRS 9. Refer note 7 for details.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

II. Credit quality (continued)

The table below shows the gross and net maximum exposure to credit risk for the Group.

	As at 31 December 2022			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	319,417	-	-	319,417
Loss allowance	(17)	-	-	(17)
Carrying amount	**319,400**	**-**	**-**	**319,400**
Murabaha and wakalah with financial institutions	5,100,920	-	-	5,100,920
Loss allowance	(2,739)	-	-	(2,739)
Carrying amount	**5,098,181**	**-**	**-**	**5,098,181**
Investment securities measured at FVTOCI (excluding equity investments)	2,983,843	-	-	2,983,843
Loss allowance	(3,909)	-	-	(3,909)
Carrying amount	**2,979,934**	**-**	**-**	**2,979,934**
Investment securities measured at amortised cost	4,587,231	91,142	62,337	4,740,710
Loss allowance	(3,780)	(79,802)	(62,337)	(145,919)
Carrying amount	**4,583,451**	**11,340**	**-**	**4,594,791**
Investments in Islamic financing	27,765,671	2,499,293	1,943,974	32,208,938
Loss allowance	(117,761)	(316,918)	(1,102,742)	(1,537,421)
Carrying amount	**27,647,910**	**2,182,375**	**841,232**	**30,671,517**
Other assets and acceptances (excluding non-financial assets)	932,247	-	70,459	1,002,706
Loss allowance	(6,198)	-	(51,093)	(57,291)
Carrying amount	**926,049**	**-**	**19,366**	**945,415**
Net credit risk exposures relating to on-balance sheet assets	**41,554,925**	**2,193,715**	**860,598**	**44,609,238**
Letter of credit and guarantee	826,066	8,168	91	834,325
Loss allowance	(1,386)	(496)	(60)	(1,942)
Net credit risk exposures relating to off-balance sheet assets	824,680	7,672	31	832,383
	42,379,605	**2,201,387**	**860,629**	**45,441,621**
Gross credit risk exposure	42,515,395	2,598,603	2,076,861	47,190,859
Total loss allowance	(135,790)	(397,216)	(1,216,232)	(1,749,238)
	42,379,605	**2,201,387**	**860,629**	**45,441,621**

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

III. Credit risk exposure of the Group's financial assets for each internal risk rating

The table below shows the gross maximum exposure to credit risk for the Group before any mitigation of collateral.

	As at 31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investments in Islamic financing				
Investment grade	**26,657,680**	**729,406**	**-**	**27,387,086**
Non-investment grade	**4,004,087**	**829,142**	**-**	**4,833,229**
Watch-list	**-**	**526,763**	**-**	**526,763**
Credit impaired	**-**	**-**	**1,891,680**	**1,891,680**
Grand Total	**30,661,767**	**2,085,311**	**1,891,680**	**34,638,758**
Investment securities				
Investment grade	**11,899,972**	**-**	**-**	**11,899,972**
Non-investment grade	**566,664**	**10,870**	**-**	**577,534**
Credit impaired	**-**	**-**	**60,309**	**60,309**
Grand Total	**12,466,636**	**10,870**	**60,309**	**12,537,815**

	As at 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investments in Islamic financing				
Investment grade	24,969,786	559,217	-	25,529,003
Non-investment grade	2,795,885	1,334,388	26,986	4,157,259
Watch-list	-	605,688	-	605,688
Credit impaired	-	-	1,916,988	1,916,988
Grand Total	**27,765,671**	**2,499,293**	**1,943,974**	**32,208,938**
Investment securities				
Investment grade	7,571,074	91,142	-	7,662,216
Non-investment grade	-	-	-	-
Credit impaired	-	-	62,337	62,337
Grand Total	**7,571,074**	**91,142**	**62,337**	**7,724,553**

IV. Significant increase in credit risk ("SICR")

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information credit assessment and including forward-looking information. The Group considers a financial asset to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Corporate financing:

For corporate financing, if the customer experiences a significant increase in probability of default which can be triggered by the following factors:

- financing facilities restructured in the last 12 months;
- financing facilities that are past due for 30 days and above but less than 90 days;
- Actual or expected change in external ratings and / or internal ratings.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

IV. Significant increase in credit risk (“SICR”) (continued)

Quantitative criteria (continued)

Retail:

For Retail portfolio, if the customer meets one or more of the following criteria:

- Adverse findings for an account/ customer as per credit bureau data;
- financing rescheduling before 30 Days Past Due (DPD);
- Accounts overdue between 30 and 90 days.

Treasury

- Significant increase in probability of default of the underlying treasury instrument;
- Significant change in the investment' s expected performance & behavior of customer (collateral value, payment holiday, payment to income ratio etc.).

Qualitative criteria:

Feedback from the early warning signal framework of the Group (along with factors such as adverse changes in business, financial or economic conditions).

Backstop:

A backstop is applied and the financial asset is considered to have experienced a SICR if the customer is more than 30 days past due on its contractual payments. The Group has not used the low credit exemption for any financial instruments for the year ended 31 December 2023 and 31 December 2022.

Credit grades

The Group uses internal credit risk grading that reflects its assessment of the probability of default of an individual customer.

The Group ' s rating method comprises 19 ratings levels for instruments not in default (1 to 7-) and three default classes (8- 10). Investment grade is considered to be financial assets falling within credit grades 1 to 5-. Non-investment grade is considered to be financial assets falling within credit grades 6 to 7, whereas, financial assets credit graded 7- are considered to be watch-list. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating method is subject to annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to PD and, for the corporate customers portfolio, to external credit ratings of Moody's rating agency.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

IV. Significant increase in credit risk ("SICR") (continued)

Credit grades (continued)

S. No	SIB Grade Scale	Moody's Rating	ERR Grade	Grade Description
1	Excellent	Aaa	1	Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; which includes strong liquidity and cash generation, excellent and proven management; market leader.
2	Strong	Aa 1	2+	Very good business along with very good asset quality, consistently strong liquidity and financing capacity; highly regarded in the industry with strong market share.
		Aa 2	2	
		Aa 3	2-	
3	Good	A 1	3+	Good business credit considered upper medium grade, subject to low credit risk; good asset quality, strong liquidity and financing capacity. Company is above average size and holds a good position in the industry.
		A 2	3	
		A 3	3-	
4	Satisfactory	Baa 1	4+	Acceptable business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Customer has demonstrated adequate to good performance.
		Baa 2	4	
		Baa 3	4-	
5	Adequate	Ba 1	5+	Average to below average business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Customer has demonstrated adequate performance.
		Ba 2	5	
		Ba 3	5-	
6	Marginal	B 1	6+	Below average business credit and subject to high credit risk. Customer is likely a lower-tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants.
		B 2	6	
		B 3	6-	
		Caa 1	7+	
		Caa 2	7	
7	Vulnerable	Caa 3	7-	Weak business credit: Judged to be poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status and not to the point of justifying a Substandard classification.
8	Substandard	Ca	8	In Default (Substandard): Unacceptable business credit with normal settlement in jeopardy.
9	Doubtful	C	9	In Default (Doubtful): Full settlement questionable. Serious problems to the point where partial loss of principal is likely.
10	Loss	-	10	In Default (Loss): Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification. Possible stage 3 provision and write-off.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

IV. Significant increase in credit risk ("SICR") (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and customer as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used. The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the customer, and the geographical region. What is considered significant differs for various types of financing, in particular between corporate and retail portfolios. The increase in PD is dependent upon multiple factors including customer industry, customer initial rating, maturity of financing, settlement frequency, product type, etc.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD

Definition of default

The Group considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held);
- it is becoming probable that the customer will restructure the asset as a result of bankruptcy due to the customer's inability to pay its credit obligations.

In assessing whether a customer is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

V. Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs is discussed above under the heading *'Generating the term structure of PD'* .

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financings secured by retail and commercial property, CBUAE haircuts are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate financing, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective price rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For financing commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by computing credit conversion factors through modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any customer 's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of a finance or terminate a finance commitment or guarantee.

However, for retail and credit card facilities that include both a financing and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group ' s exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or settlement structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

V. Measurement of ECL (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the customer.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. Reconciliations from the opening to the closing balance of the loss allowance by class of financial asset is provided in respective notes.

VI. Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, optimistic and downside scenario. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

VI. Incorporation of forward-looking information (continued)

The key macroeconomic drivers for credit risk for the corporate portfolio are oil price and equity price index, whereas, for the retail portfolio are non-oil UAE GDP, oil price and UAE CPI index. The most significant period-end assumptions used for ECL estimate as at 31 December 2023 are set out below.

The scenarios base case, upside and downside has been used keeping in view the following principal macroeconomic variables:

Macroeconomic variables	Scenario	2024	2025	2026	2027	2028
Oil Price (USD per barrel)	Base case	78	70	68	68	69
	Upside	80	70	68	68	69
	Downside	55	63	66	66	68
Stock market volatility (%Delta of points)	Base case	1%	2%	1%	1%	1%
	Upside	7%	1%	0%	1%	1%
	Downside	-21%	22%	6%	5%	3%
UAE non-oil GDP (%Delta of GDP)	Base case	6%	4%	3%	3%	3%
	Upside	9%	4%	3%	3%	3%
	Downside	-3%	4%	6%	5%	3%
UAE CPI Index	Base case	2%	2%	2%	2%	2%
	Upside	2%	2%	2%	2%	2%
	Downside	1%	1%	2%	2%	2%

Sensitivity analysis

If the macroeconomic variables (defined above) were to change by the base case, upside and downside scenarios as below, the ECL under stages 1 and 2 will change as follows:

Macroeconomic variable	Down	Up
Oil Price (USD per barrel)	-5%	+5%
Equity (Share Price Index: ADX General Index)	-5%	+5%
UAE non-oil GDP	-1%	+1%
UAE CPI Index	-1%	+1%

Change in ECL due to change in macroeconomic variables	Downside	Upside
Stage 1	7.2%	-13.5%
Stage 2	3.3%	-5.3%

There has been no significant sensitivity impact on stage 3 ECL.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

VII. Financial assets with renegotiated terms

For the purposes of disclosures in these consolidated financial statements, 'Investment in Islamic financing with renegotiated terms' are defined as investment in Islamic financing that have been restructured due to a deterioration in the customer's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the customer than the Group had provided initially and that it would not otherwise consider.

The Group renegotiates investment in Islamic financing to customers in financial difficulties (referred to as ' forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, forbearance is granted on a selective basis if the customer is currently in default on its liability or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

VIII. Collateral and securities

The Group holds collateral and securities against investment in Islamic financing in the form of cash margins, personal guarantees, and mortgages over properties or other securities over assets. Estimates of credit risk mitigation relating to investment in Islamic financing are based on the value of collateral assessed at the time of financing, and are subsequently monitored on a periodic basis. A quantification of the extent to which collateral and other credit enhancements mitigate credit risk is shown below:

	As at 31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage of properties	**9,945,588**	**1,522,290**	**1,089,772**	**12,557,650**
Cash lien and others	**743,751**	**4,662**	**449**	**748,862**
Carrying amount	**10,689,339**	**1,526,952**	**1,090,221**	**13,306,512**

	As at 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage of properties	9,013,509	1,786,185	960,128	11,759,822
Cash lien and others	549,707	14,834	135	564,676
Carrying amount	**9,563,216**	**1,801,019**	**960,263**	**12,324,498**

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by ensuring that a trade date is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group risk.

4. Risk management (continued)

ii. Financial risk management (continued)

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

The Group's approach for managing liquidity risk is to ensure that, management has diversified funding sources and closely monitors liquidity to ensure adequate funding.

The Group's board of directors set the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury department manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Group and operating subsidiaries. All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk

The Group's contractual maturities of financial instruments are summarised in the table below based on the contractual Repayment arrangements and does not take account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is to be maintained.

As at 31 December 2023	**Less than 3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and balances with banks and financial institutions	**3,436,612**	**-**	**-**	**-**	**3,436,612**
Murabaha and wakalah with financial institutions	**5,544,688**	**4,192,775**	**503,201**	**-**	**10,240,664**
Investment securities measured at fair value	**340,275**	**-**	**2,922,079**	**699,385**	**3,961,739**
Investment securities measure at amortised cost	**27,386**	**775,003**	**7,007,137**	**1,772,766**	**9,582,292**
Investment in Islamic financing	**4,504,962**	**4,719,940**	**16,268,143**	**7,537,389**	**33,030,434**
Acceptances	**141,433**	**67,702**	**-**	**-**	**209,135**
Other assets	**990,881**	**32,685**	**436**	**-**	**1,024,002**
	14,986,237	**9,788,105**	**26,700,996**	**10,009,540**	**61,484,878**
Liabilities					
Customers' deposits	**35,057,492**	**8,745,491**	**1,403,591**	**-**	**45,206,574**
Due to banks	**7,271,470**	**1,435,275**	**582,962**	**-**	**9,289,707**
Sukuk payable	**-**	**52,340**	**1,861,039**	**-**	**1,913,379**
Acceptances	**141,901**	**67,702**	**-**		**209,603**
Other liabilities	**1,099,349**	**135,820**	**39,892**	**-**	**1,275,061**
	43,570,212	**10,436,628**	**3,887,484**	**-**	**57,894,324**
Contingent liabilities	**265,983**	**538,581**	**2,272,663**	**-**	**3,077,227**

4. Risk management (continued)

ii. Financial risk management (continued)

b. Liquidity risk (continued)

Exposure to liquidity risk (continued)

As at 31 December 2022	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Assets					
Cash and balances with banks and financial institutions	3,261,402	-	-	-	**3,261,402**
Murabaha and wakalah with financial institutions	7,308,485	3,282,585	257,111	-	**10,848,181**
Investment securities measured at fair value	673,377	191,928	2,193,905	891,377	**3,950,587**
Investment securities measure at amortised cost	228,811	88,152	2,104,488	2,173,340	**4,594,791**
Investment in Islamic financing	5,762,402	4,262,314	11,659,735	8,987,066	**30,671,517**
Acceptances	129,800	23,022	-	-	**152,822**
Other assets	523,577	55,820	213,196	-	**792,593**
	17,887,854	**7,903,821**	**16,428,435**	**12,051,783**	**54,271,893**
Liabilities					
Customers' deposit	30,483,365	9,045,866	-	-	**39,529,231**
Due to banks	5,079,560	375,414	1,230,774	-	**6,685,748**
Sukuk payable	-	1,911,445	1,912,775	-	**3,824,220**
Acceptances	129,880	23,022	-	-	**152,902**
Other liabilities	1,058,825	152,134	85,495	-	**1,296,454**
	36,751,630	**11,507,881**	**3,229,044**	**-**	**51,488,555**
Contingent liabilities	**178,127**	**352,884**	**1,805,666**	**-**	**2,336,677**

Cash and balances with banks and financial institutions include mandatory deposits with the Central Bank of the UAE (refer note 5). The Group's expected cash flows may very from this analysis, for example, demand deposits from customers are expected to maintain a stable or increasing balance.

The residual maturity of the Group's financial liabilities is not significantly different from its contractual maturity, since, the Group follows Shari'a principles and contractual returns which is based on a profit or loss sharing basis and are not guaranteed.

4. Risk management (continued)

ii. Financial risk management (continued)

c. Market risk

Market risk is the risk that the Group's income and / or value of a financial instrument will fluctuate because of changes in market prices such as profit rates, foreign exchange rates and market prices of equity.

Profit margin risk

The Group is not significantly exposed to risk in terms of re-pricing its customer deposits, since, in accordance with Islamic Sharia, the Group does not provide a contractual rate of return to its investment account holders. The return payable to depositors and investment account holders is based on the principal of the mudaraba, by which the depositors and investment account holders agree to share the profits made by the Group's mudaraba asset pool over a given period.

Profit rate risk

The principal risk to which non-trading portfolios are exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk primarily comprises of market and valuation risk, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value. Overall pricing or profit rate risk positions are managed by the ALCO.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the net income for one year, based on the non-trading financial assets and financial liabilities.

	Increase / decrease in basis points	Increase / decrease in net income	
		2023	**2022**
Net profit rate sensitivity on financial assets and liabilities	50 basis points	**4,075**	15,847

Currency risk

Currency risk is the risk that the Group’s income or value of a financial instrument, other than functional currency denominated financial instruments, will fluctuate because of changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Board of Directors and a continuous assessment of the Group’s open position and current and expected exchange rate movements. Group does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or correlated currency.

The Board of Directors has set limits on positions by currency. Positions are closely monitored by ALCO to ensure positions are maintained within established limits.

At 31 December 2023 and 2022, the Group had the following significant net exposures denominated in foreign currencies:

4. Risk management (continued)

ii. Financial risk management (continued)

c. Market risk (continued)

Currency risk (continued)

	As at 31 December	
	2023	**2022**
Currency net position		
United States Dollar	**5,302,648**	(95,502)
United Kingdom Pound Sterling	**131,461**	137,402
Euro	**2,237**	(6,299)
Bahrani Dinar	**5,789**	7,778
Qatari Riyal	**862**	988
Saudi Riyals	**3,494**	(373)
Kuwaiti Dinar	**1,371**	(337)
Other currencies	**20,905**	37,519

The exchange rate of AED, Bahraini Dinar, Saudi Riyals and Qatari Riyal is pegged against the United States Dollar and therefore, the Group's exposure to currency risk is limited to that extent. With respect to the Group's exposure to other currencies (i.e. United Kingdom Pound Sterling, Euro etc), the imapct on foreign exchange income due to a change in exchange rate by 5% is AED 7.8 million for the year ended 31 December 2023 *(year ended 31 December 2022: AED 8.4 million, respectively).*

Equity price risk

Equity price risk arises from the change in fair value of equity instruments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The table summarises the impact of a change in prices by ±10% on statement of profit or loss and other comprehensive income of the Group.

	2023		2022	
	Effect on profit or loss	**Effect on other comprehensive income**	**Effect on profit or loss**	**Effect on other comprehensive income**
Financial assets at fair value through profit or loss	**35,470**	-	36,842	**-**
Financial assets at fair value through other comprehensive income	-	**38,129**	**-**	59,994

d. Operational risks

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with the Group' s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group' s operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Risk Management Committee identifies and manages operational risk to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance. In all cases, the Group's operational risk policies' requires compliance with all applicable legal and regulatory requirements. Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

4. Risk management (continued)

ii. Financial risk management (continued)

e. Capital management

Regulatory capital

The Group's lead regulator, the CBUAE, sets and monitors regulatory capital requirements. The Group ' s objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by the CBUAE.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on s hareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group' s regulatory capital adequacy ratio is set by the CBUAE. The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the year. The Group has adopted a standardised approach for Credit risk and Market risk and a Basic Indicator approach for Operational risk as a starting point and is working towards migrating to the foundation internal rating based ("IRB") and advanced IRB in accordance with the time line set by the CBUAE.

- Tier 1 capital, which includes ordinary share capital, legal and statutory reserve and retained earnings
- Tier 2 capital, which includes fair value reserves relating to unrealised gains / losses on financial assets classified as FVTOCI and collective impairment provision.

The Tier 2 capital is limited to; collective impairment provision shall not exceed 1.25% of credit risk weighted assets.

The table below summarises the composition of regulatory capital of the Group:

	Basel III	
	As at 31 December	
	2023	**2022**
Capital base		
Common equity tier 1	**6,156,313**	5,834,143
Additional tier 1 capital	**1,836,500**	1,836,500
Total tier 1 capital base	**7,992,813**	**7,670,643**
Total tier 2 capital base	**522,824**	478,839
Total capital base	**8,515,637**	**8,149,482**
Risk weighted assets		
Credit risk	**41,825,910**	38,307,142
Market risk	**166,119**	183,688
Operational risk	**3,132,244**	2,583,769
Risk weighted assets	**45,124,273**	**41,074,599**
Capital ratios (before proposed dividend adjustment)		
Common equity tier 1 ratio	**13.64%**	**14.20%**
Tier 1 capital ratio	**17.71%**	**18.67%**
Capital adequacy ratio	**18.87%**	**19.84%**

4. Risk management (continued)

ii. Financial risk management (continued)

e. Capital management (contininmued)

As at 31 December 2023, capital adequacy ratio after adjustment of proposed dividends stands at 18.15% *(As at 31 December 2022: 19.09%)* .

As per CBUAE requirement, the minimum capital adequacy ratio and capital conservation buffer is 10.5% and 2.5% respectively *(As at 31 December 2022: 10.5% and 2.5%).*

f. Interest Rate Benchmark Reform - LIBOR transition

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), plays a critical role in global financial markets, serving as reference rates for derivatives, financing and securities, and as parameters in the valuation of financial instruments.

LIBOR refers to the London Interbank Offered Rate. It is privately determined by polling more than a dozen large global banks in London about the interest rate at which they can borrow for various lengths of time ("tenors") in U.S. dollars and four other currencies (GBP, EUR, GPY, CHF). Thus, at any point in time, there are several "LIBOR" rates. LIBOR is a benchmark or reference rate that helps financial market participants gauge prevailing financing rates. Many financial instruments are tied to different currency LIBORs, including certain floating-rate advances, bonds, securitized products, and financial derivatives.

In line with the disclosures in the financial statements for the year ended 31 December 2022, the Group successfully completed its transition program and has fully implemented the Alternative Reference Rate (ARR). The transition process was carried out under the supervision of a cross-functional working committee, consisting of representatives from Treasury, Risk Management, Financial Control, Information Technology, and other relevant business units. The program concluded before the final publication date of LIBOR on 30 June 2023.

As of 31 December 2023, the Bank's repo collateralised murabaha, previously based on LIBOR, now based on secured overnight financing rate (SOFR), amounted to AED 855.8 million *(As at 31 December 2022: AED 862.8 million).*

5. Cash and balances with banks and financial institutions

	As at 31 December	
	2023	**2022**
Cash	**695,291**	659,713
Balances with the CBUAE	**1,828,652**	2,282,289
Due from banks	**912,669**	319,400
	3,436,612	**3,261,402**

As at 31 December 2023 and 2022, balances with CBUAE includes 14 days average statutory deposit requirement of CBUAE, which is also available to fund daily operations under specified conditions.

As at 31 December 2023, due from banks include cash margin amounting to AED 11.6 million *(As at 31 December 2022: AED: 43.5 million)* against collateralised murabaha.

6. Murabaha and wakalah with financial institutions

	As at 31 December	
	2023	**2022**
Murabaha	**1,595,725**	1,430,028
Wakalah arrangements	**8,644,939**	9,418,153
	10,240,664	**10,848,181**

As at 31 December 2023, wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting to AED 5.4 billion *(As at 31 December 2022: AED 5.8 billion)* .

As at 31 December 2023, murabaha and wakalah with financial institutions carry profit rates ranging from 4.0% to 9.0% per annum *(As at 31 December 2022: 1.5% to 9.7% per annum)* .

7. Investment securities measured at fair value

The Group has designated certain investments in equity instruments, funds and sukuks as FVTOCI as these are investments that the Group plans to hold in the long term for strategic reasons. The Group classified certain equity instruments, funds and sukuks at FVTPL as the Group plans to achieve its objective by trading these investments.

	Fair value		Dividend income	
	As at 31 December		For the year ended 31 December	
	2023	**2022**	**2023**	**2022**
By category				
Financial assets at fair value through profit or loss				
- Equity and funds	**354,697**	368,417	**27,474**	17,152
- Sukuks	**373,873**	2,301	**-**	-
	728,570	**370,718**	**27,474**	**17,152**
Financial assets at fair value through other comprehensive income				
- Equity and funds	**381,293**	599,935	**33,397**	22,204
- Sukuks	**2,882,488**	2,983,843	**-**	-
	3,263,781	**3,583,778**	**33,397**	**22,204**
Less: loss allowance on financial assets measured at FVTOCI	**(30,612)**	(3,909)	**-**	-
	3,233,169	**3,579,869**	**33,397**	**22,204**
	3,961,739	**3,950,587**	**60,871**	**39,356**

During the year ended 31 December 2023, the Group has purchased equity securities amounting to AED 47.6 million *(year ended 31 December 2022: AED 245.2 million)* .

As at 31 December 2023 and 2022, investment securities measured at fair value predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

During the years ended 31 December 2023 and 2022, no investment securities measurred at fair value through other comprehensive income were downgraded to stage 3 under the ECL model.

7. Investment securities measured at fair value (continued)

	As at 31 December	
	2023	**2022**
By quoted / unquoted		
Financial assets at fair value through profit or loss		
- Quoted	**399,019**	41,479
- Unquoted	**329,551**	329,239
	728,570	**370,718**
Financial assets at fair value through other comprehensive income		
- Quoted	**2,955,115**	3,190,611
- Unquoted	**308,666**	393,167
Less: loss allowance on financial assets measured at FVTOCI	**(30,612)**	(3,909)
	3,233,169	**3,579,869**
	3,961,739	**3,950,587**

8. Investment securities measured at amortised cost

By category		
- Sukuks	**9,655,327**	4,740,710
Less: loss allowance on financial assets measured at amortised cost	**(73,035)**	(145,919)
	9,582,292	**4,594,791**
By quoted / unquoted		
- Quoted	**6,164,422**	2,793,390
- Unquoted	**3,490,905**	1,947,320
Less: loss allowance on financial assets measured at amortised cost	**(73,035)**	(145,919)
	9,582,292	**4,594,791**

As at 31 December 2023, sukuks held at amortised cost includes AED 4,568.9 million *(As at 31 December 2022: AED 3,555 million)* that have been pledged against a collateralized commodity murabaha arrangement.

During the year ended 31 December 2023, the Group has sold investment securities measured at amortised cost amounting to AED 124.9 million *(year ended 31 December 2022, the Group has not sold any investment securities measured at amortised cost)* .

As at 31 December 2023 and 2022, investment securities measured at amortised cost predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

The fair value of investment securities measured at amortised cost has been disclosed in note 30 of these consolidated financial statements.

8. Investment securities measured at amortised cost (continued)

Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") of investment securities measured at amortised cost and loss allowance ("ECL") can be seen below

	31 December 2023							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2023	**4,587,231**	**3,780**	**91,142**	**79,802**	**62,337**	**62,337**	**4,740,710**	**145,919**
Transfer to stage 1	**(10,804)**	**(616)**	**10,804**	**616**	**-**	**-**	**-**	**-**
Transfer to stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net movement in GCV	**5,007,721**	**-**	**(91,076)**	**-**	**-**	**-**	**4,916,645**	**-**
Net re-measurement ofloss allowance	**-**	**8,881**	**-**	**6,764**	**-**	**-**	**-**	**15,645**
Recoveries	**-**	**-**	**-**	**-**	**(2,028)**	**(2,028)**	**(2,028)**	**(2,028)**
Write-offs	**-**	**-**	**-**	**(86,501)**	**-**	**-**	**-**	**(86,501)**
Balance at 31 December 2023	**9,584,148**	**12,045**	**10,870**	**681**	**60,309**	**60,309**	**9,655,327**	**73,035**

	31 December 2022							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2022	**4,417,137**	**5,741**	**101,898**	**46,429**	**62,337**	**62,337**	**4,581,372**	**114,507**
Transfer to stage 1	10,756	857	(10,756)	(857)	-	-	**-**	**-**
Transfer to stage 2	-	-	-	-	-	-	**-**	**-**
Transfer to stage 3	-	-	-	-	-	-	**-**	**-**
Net movement in GCV	159,338	-	-	-	-	-	**159,338**	**-**
Net re-measurement ofloss allowance	-	(2,818)	-	34,230	-	-	**-**	**31,412**
Balance at 31 December 2022	**4,587,231**	**3,780**	**91,142**	**79,802**	**62,337**	**62,337**	**4,740,710**	**145,919**

9. Investments in Islamic financing

Investments in Islamic financing are secured by acceptable forms of collateral to mitigate the related credit risk, as disclosed in note 4(a). Investments in Islamic financing comprise the following:

	As at 31 December	
	2023	**2022**
a) By product		
Vehicle murabaha	**412,718**	229,966
Goods murabaha	**12,726,515**	11,745,882
Real estate murabaha	**8,335**	12,336
Other murabaha receivable	**1,355,567**	1,039,699
Syndicate murabaha	**642,688**	987,248
Gross murabaha financing	**15,145,823**	**14,015,131**
Less: deferred profit	**(1,424,113)**	(1,275,275)
Net murabaha financing	**13,721,710**	**12,739,856**
Ijara financing	**18,668,504**	17,004,000
Qard hasan	**858,858**	837,885
Credit card receivables	**103,497**	91,742
Istisna'a	**1,286,189**	1,535,455
Total investments in Islamic financing	**34,638,758**	**32,208,938**
Less: loss allowance for investments in Islamic financing	**(1,608,324)**	(1,537,421)
	33,030,434	**30,671,517**
b) By sector		
Government departments and authorities	**12,369,565**	12,209,283
Construction and contracting	**1,623,713**	823,556
Manufacturing	**726,184**	699,797
Transportation	**437,608**	503,490
Real estate	**9,460,160**	7,891,679
Retail businesses	**483,325**	462,414
Trading	**2,024,808**	2,033,517
Financial institutions	**270,886**	368,956
Services and others	**1,290,648**	1,529,195
Individual	**3,903,624**	3,239,699
Consumer home finance	**1,489,697**	1,531,226
High net worth individuals	**1,982,653**	2,191,401
Deferred profit	**(1,424,113)**	(1,275,275)
Less: loss allowance for investments in Islamic financing	**(1,608,324)**	(1,537,421)
	33,030,434	**30,671,517**

9. Investments in Islamic financing (continued)

Reconciliations from the opening to the closing balance of the Gross Carrying Value ("GCV") and loss allowance ("ECL") for retail and corporate banking segment can be seen below

	31 December 2023							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at the beginning of year	**27,765,671**	**117,761**	**2,499,293**	**316,918**	**1,943,974**	**1,102,742**	**32,208,938**	**1,537,421**
Retail banking								
Transfer to stage 1	15,452	515	(15,436)	(520)	(16)	5	-	-
Transfer to stage 2	(35,488)	(359)	35,488	359	-	-	-	-
Transfer to stage 3	(128,527)	(1,420)	(19,538)	(787)	148,065	2,207	-	-
Net movement in GCV	464,622	-	(5,634)	-	(98,718)	-	360,270	-
Net re-measurement of loss allowance	-	1,183	-	727	-	25,853	-	27,763
Recoveries	-	-	-	-	(4,515)	(3,641)	(4,515)	(3,641)
Write-offs	-	-	-	-	(32,137)	(32,137)	(32,137)	(32,137)
Corporate banking								
Transfer to stage 1	290,453	70,807	(290,453)	(70,807)	-	-	-	-
Transfer to stage 2	(536,984)	(3,831)	536,984	3,831	-	-	-	-
Transfer to stage 3	(328,801)	(3,508)	(100,159)	(8,959)	428,960	12,467	-	-
Net movement in GCV	3,155,369	-	(555,234)	-	(398,005)	-	2,202,130	-
Net re-measurement of loss allowance	-	(36,220)	-	17,983	-	193,824	-	175,587
Recoveries	-	-	-	-	(19,058)	(17,625)	(19,058)	(17,625)
Write-offs	-	-	-	-	(76,870)	(79,044)	(76,870)	(79,044)
Balance at the end of year	**30,661,767**	**144,928**	**2,085,311**	**258,745**	**1,891,680**	**1,204,651**	**34,638,758**	**1,608,324**

9. Investments in Islamic financing (continued)

Reconciliations from the opening to the closing balance of the Gross Carrying Value ("GCV") and loss allowance ("ECL") for retail and corporate banking segment can be seen below (continued)

	31 December 2022							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at the beginning of year	**26,664,233**	**221,366**	**2,217,705**	**180,437**	**1,458,322**	**929,439**	**30,340,260**	**1,331,242**
Retail banking								
Transfer to stage 1	8,460	318	(8,399)	(281)	(61)	(37)	**-**	**-**
Transfer to stage 2	(37,632)	(780)	37,657	801	(25)	(21)	**-**	**-**
Transfer to stage 3	(49,156)	(855)	(14,578)	(926)	63,734	1,781	**-**	**-**
Net movement in GCV	432,486	-	(4,237)	-	(35,838)	-	**392,411**	**-**
Net re-measurement of loss allowance	-	(27,669)	-	922	-	22,091	**-**	**(4,656)**
Recoveries	-	-	-	-	(2,986)	(3,877)	**(2,986)**	**(3,877)**
Write-offs	-	-	-	-	(42,819)	(42,819)	**(42,819)**	**(42,819)**
Corporate banking								
Transfer to stage 1	215,693	5,587	(215,693)	(5,587)	-	-	**-**	**-**
Transfer to stage 2	(640,007)	(11,745)	641,687	11,776	(1,680)	(31)	**-**	**-**
Transfer to stage 3	(110,934)	(24,528)	(368,425)	(26,710)	479,359	51,238	**-**	**-**
Net movement in GCV	1,282,528	-	213,576	-	69,558	-	**1,565,662**	**-**
Net re-measurement of loss allowance	-	(43,933)	-	156,486	-	179,612	**-**	**292,165**
Recoveries	-	-	-	-	(15,239)	(6,283)	**(15,239)**	**(6,283)**
Write-offs	-	-	-	-	(28,351)	(28,351)	**(28,351)**	**(28,351)**
Balance at the end of year	**27,765,671**	**117,761**	**2,499,293**	**316,918**	**1,943,974**	**1,102,742**	**32,208,938**	**1,537,421**

9. Investments in Islamic financing (continued)

Portfolio wise analysis of ECL during the year

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	**117,761**	**316,918**	**1,102,742**	**1,537,421**
Retail banking				
Credit cards	**(430)**	**15**	**(433)**	**(848)**
Housing finance	**8,631**	**(287)**	**(1,112)**	**7,232**
Personal finance	**(9,000)**	**26**	**(6,580)**	**(15,554)**
Auto finance	**718**	**25**	**412**	**1,155**
Corporate banking				
Government and related exposures	**(1,551)**	**-**	**-**	**(1,551)**
Other corporates	**4,074**	**(44,340)**	**(28,960)**	**(69,226)**
High net worth individuals	**13,787**	**(17,440)**	**101,162**	**97,509**
Small and Medium Enterprises ("SMEs")	**10,938**	**3,828**	**37,420**	**52,186**
ECL allowance as at 31 December 2023	**144,928**	**258,745**	**1,204,651**	**1,608,324**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	**221,366**	**180,437**	**929,439**	**1,331,242**
Retail banking				
Credit cards	449	(12)	(794)	**(357)**
Housing finance	(11,364)	447	2,164	**(8,753)**
Personal finance	(17,986)	82	(24,674)	**(42,578)**
Auto finance	(2,184)	(1)	422	**(1,763)**
Corporate banking				
Government and related exposures	(2,578)	-	-	**(2,578)**
Other corporates	(11,286)	67,756	21,162	**77,632**
High net worth individuals	(52,732)	51,962	151,515	**150,745**
Small and Medium Enterprises ("SMEs")	(5,924)	16,247	23,508	**33,831**
ECL allowance as at 31 December 2022	**117,761**	**316,918**	**1,102,742**	**1,537,421**

10. Investment properties

	2023	2022
Balance at 1 January	**3,085,729**	2,825,021
Additions during the year	**24,468**	49,491
Transfer from properties held for sale during the year (notes 11 and 30)	**14,468**	351,936
Transfer to properties held for sale during the year (notes 11 and 30)	**(22,407)**	-
Disposals during the year	**(65,941)**	(88,370)
Revaluation loss during the year	**(221,497)**	(35,044)
Exchange differences	**8,171**	(17,305)
Balance at 31 December	**2,822,991**	**3,085,729**

Fair value of the investment properties as at 31 December 2023 and 2022 were determined by an independent valuer. Significant assumptions made by the valuer are disclosed in note 30.

11. Properties held for sale

	2023	2022
Balance at 1 January	**335,617**	685,014
Additions during the year	**190,159**	20,416
Transfer to investment properties during the year (notes 10 and 30)	**(14,468)**	(351,936)
Transfer from investment properties during the year (notes 10 and 30)	**22,407**	-
Disposals during the year	**(10,577)**	(19,304)
Reversal of impairment during the year	**3,077**	1,427
Balance at 31 December	**526,215**	**335,617**

12. Other assets

	As at 31 December	
	2023	2022
Prepaid expenses and other advances	**55,219**	47,591
Profit receivable	**472,927**	378,618
Sundry debtors	**230,636**	164,938
Assets purchased against Investment in Islamic financing	**38,071**	410,064
Others	**369,456**	306,248
Less: loss allowance under IFRS 9 on other assets	**(49,017)**	(59,153)
	1,117,292	**1,248,306**

During the years ended 31 December 2023 and 2022, no significant financial assets included within 'Other assets' were downgraded to stage 3 under the ECL model.

13. Intangible assets

	Software	Capital - work in progress	Total
Cost			
As at 1 January 2023	**104,199**	**8,772**	**112,971**
Additions during the year	**4,168**	**5,337**	**9,505**
Capitalised during the year	**4,186**	**(4,186)**	**-**
As at 31 December 2023	**112,553**	**9,923**	**122,476**
Accumulated amortization			
As at 1 January 2023	**50,983**	**-**	**50,983**
Charge for the year	**9,829**	**-**	**9,829**
As at 31 December 2023	**60,812**	**-**	**60,812**
Net book value			
As at 31 December 2023	**51,741**	**9,923**	**61,664**
As at 31 December 2022	**53,216**	**8,772**	**61,988**

14. Property and equipment

	Freehold land & buildings	Right of use assets	Equipment , furniture & fittings	Computer equipment	Motor vehicles	Capital - work in progress	Total
Cost							
As at 1 January 2023	**949,008**	**58,211**	**146,685**	**52,605**	**6,942**	**69,677**	**1,283,128**
Additions during the year	**3,728**	**5,381**	**1,641**	**5,011**	**448**	**9,095**	**25,304**
Disposals during the year	**(3,461)**	**-**	**(2,858)**	**(6,859)**	**-**	**-**	**(13,178)**
Capitalised during the year	**48,607**	**-**	**15,925**	**5,199**	**-**	**(69,731)**	**-**
As at 31 December 2023	**997,882**	**63,592**	**161,393**	**55,956**	**7,390**	**9,041**	**1,295,254**
Accumulated depreciation							
As at 1 January 2023	**182,949**	**26,119**	**130,312**	**27,140**	**4,659**	**-**	**371,179**
Charge for the year	**19,018**	**10,115**	**6,739**	**10,485**	**937**	**-**	**47,294**
Disposals during the year	**(3,390)**	**-**	**(2,858)**	**(6,818)**	**(96)**	**-**	**(13,162)**
As at 31 December 2023	**198,577**	**36,234**	**134,193**	**30,807**	**5,500**	**-**	**405,311**
Net book value							
As at 31 December 2023	**799,305**	**27,358**	**27,200**	**25,149**	**1,890**	**9,041**	**889,943**
As at 31 December 2022	766,059	32,092	16,373	25,465	2,283	69,677	911,949

15. Customers' deposits

	As at 31 December	
	2023	2022
Current accounts	**12,777,857**	11,167,257
Saving accounts	**3,115,965**	3,149,320
Watani / call accounts	**705,611**	705,587
Escrow accounts	**2,174,214**	1,195,024
Time deposits	**26,119,883**	22,984,472
Margins	**313,044**	327,571
	45,206,574	**39,529,231**

16. Due to banks

Term deposit	**9,028,137**	6,652,075
On demand	**25,795**	12,310
	9,053,932	**6,664,385**

As at 31 December 2023, term deposits with banks include AED 3,840 million *(As at 31 December 2022: AED 3,002 million)* under collateralized commodity murabaha arrangement, against which the Group has pledged sukuk amounting to AED 4,569 million *(As at 31 December 2022: AED 3,555 million)* (refer note 8). The deposits bear fixed profit rates between 1.15% to 5.84% and variable profit rates in between 3 months SOFRTERM + 0.50% to 3 months SOFRTERM + 1.08% with maturity in between 2024 and 2026 *(As at 31 December 2022: fixed profit rates between 1.15% to 4.97% and variable profit rates in between 3 months LIBOR + 0.60% to 3 months LIBOR + 1.10% with maturity in between 2023 and 2024).*

17. Sukuk payable

		As at 31 December 2023		As at 31 December 2022	
Name of issuer	**Maturity date**	**Carrying value**	**Profit rate**	**Carrying value**	**Profit rate**
SIB Sukuk 2023	17 April 2023	-	-	1,836,011	4.23%
SIB Sukuk 2025	23 June 2025	**1,834,869**	**2.85%**	1,833,682	2.85%
Total		**1,834,869**		**3,669,693**	

18. Other liabilities

	As at 31 December	
	2023	**2022**
Profit payable	**522,499**	249,575
Accrual and provision	**83,878**	62,210
Accounts payable	**244,644**	443,427
Provision for staff end of service benefits	**106,272**	97,124
Managers' cheques	**104,951**	82,134
Sundry creditors	**283,704**	173,365
Payables against assets purcahsed	**16,723**	271,607
Lease obligation *(note 18.1)*	**18,662**	14,136
	1,381,333	**1,393,578**

18.1 Lease obligation

	2023	**2022**
Balance at 1 January	**14,136**	7,315
Recognition during the year	**5,503**	16,627
Amortisation during the year	**(977)**	(9,806)
Balance at 31 December	**18,662**	**14,136**

19. Share capital

	As at 31 December 2023		**As at 31 December 2022**	
	No. of shares	**Value**	No. of shares	Value
Authorised and issued share capital	**3,235,677,638**	**3,235,678**	3,081,597,750	3,081,598

20. Tier 1 sukuk

In July 2019, the Bank issued Shari'a compliant Tier 1 sukuk through an SPV, SIB Tier 1 Sukuk Company Limited, ("the issuer") amounting to USD 500 million (AED 1,836.5 million) at par.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. These sukuk are expected to pay profit semi-annually of 5 per cent each year, commencing from 2 July 2019. The expected profit rate will be reset to a new fixed rate on the basis of the then prevailing reoffer spread of 321.30 bps on 2 July 2025 ("the first reset date") and every 6 years thereafter. These sukuk are listed on Euronext Dublin and Nasdaq Dubai and are callable by the Bank on 2 July 2025 ("the first call date") or any profit payment date thereafter subject to certain redemption conditions. The net proceeds of Tier 1 are invested by the Bank in its general business activities on a co-mingling basis.

At the Issuer's sole discretion, it may elect not to make any Mudaraba profit distributions expected and the event is not considered an event of default. In such an event, the Mudaraba profit will not be accumulated but forfeited to the issuer. If the issuer 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 make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

21. Proposed directors' remuneration

In accordance with the Article 171 of Companies Law No. 32 of 2021, the proposed directors' remuneration for the year ended 31 December 2023 is AED 10.0 million *(year ended 31 December 2022: AED 10.0 million)* .

22. Reserves

The movements in reserves are as follows:

	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve
Balance at 1 January 2023	**1,541,200**	**89,008**	**41,602**	**(305,576)**
Transfer to reserve	**76,638**	**-**	**123,015**	**-**
Change in fair value of financial assets	**-**	**-**	**-**	**118,707**
Realised loss on equity instruments measured at FVTOCI transferred to retained earnings	**-**	**-**	**-**	**3,020**
Balance at 31 December 2023	**1,617,838**	**89,008**	**164,617**	**(183,849)**
Balance at 1 January 2022	1,540,799	89,008	64,577	(12,097)
Transfer to / (from) reserve	401	-	(22,975)	-
Change in fair value of financial assets	-	-	-	(293,677)
Realised loss on equity instruments measured at FVTOCI transferred to retained earnings	-	-	-	198
Balance at 31 December 2022	**1,541,200**	**89,008**	**41,602**	**(305,576)**

22.1 Legal reserve

Article 241 of the U.A.E. Federal Law No. 32 of 2021 and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law. During the year ended 31 December 2023, an amount of AED 76.6 million was transferred to legal reserve *(year ended 31 December 2022: AED 0.4 million).*

22.2 Statutory reserve

In accordance with the Bank's Articles of Association, 10% of annual profits, if any, were transferred to a statutory reserve until 2005, subsequent to which it was suspended by an ordinary general meeting upon a proposal by the Board of directors. The statutory reserve can be utilised for the purposes determined by the ordinary general meeting upon recommendations of the Board of Directors.

22.3 General impairment reserve

The Bank has computed general provision as 1.5% of credit risk weighted assets as at 31 December 2023 in accordance with Guidance note to Banks and Financial Institutions on IFRS 9 Implementation, as issued by the CBUAE in March 2018. The resultant incremental difference between 1.5% of credit risk weighted assets and stage 1 & 2 combined ECL is transferred from retained earnings to a non-distributable general impairment reserve.

22.4 Fair value reserve

The fair value reserve comprises the cumulative net change in fair values of financial assets through other comprehensive income.

23. Income from investments in Islamic financing and sukuks

	For the year ended 31 December	
	2023	**2022**
Income from murabaha and wakalah with financial institutions	**455,771**	141,068
Income from murabaha financing	**660,200**	508,436
Income from syndicate products	**133,278**	98,558
Income from ijara financing	**1,205,963**	772,631
Income from other Islamic financing products	**94,299**	94,352
Profit income on sukuk investments	**539,398**	323,616
	3,088,909	**1,938,661**

24. Distribution to depositors and sukuk holders

Mudarba and wakala financing from financial institutions	**291,377**	69,620
Mudarba investments and saving deposits from customers	**260,397**	152,272
Wakala and other investment deposits from customers	**1,006,826**	369,492
Sukuk holders' realized profit on sukuk issued	**77,344**	133,915
	1,635,944	**725,299**

25. Net fee and commision income

Fee and commission income		
Commission income	**195,044**	142,886
Fees and charges on banking services	**70,573**	68,625
Card related fees	**70,732**	55,574
Takaful commision	**16,708**	20,709
	353,057	**287,794**
Fee and commission expense		
Commission expense	**12,882**	10,035
Card related expense	**50,427**	36,965
Takaful expense	**14,234**	16,619
	77,543	**63,619**

26. Other income

Income from hospitality and brokerage	**43,154**	26,491
Rental income	**48,508**	29,761
Income from sale of properties	**15,658**	24,847
Gain on sale of property and equipment	**9**	26
Other income	**313**	94
	107,642	**81,219**

27. General and administrative expenses

Staff costs	**450,508**	414,242
Other general and administrative expenses	**181,466**	144,745
Depreciation amd amortisation	**52,480**	51,837
	684,454	**610,824**

Other general and administrative expenses for the year ended 31 December 2023 includes fee for audit and other audit related services for the Group amounting to AED 0.9 million and AED 0.2 million respectively *(year ended 31 December 2022: AED 0.8 million and Nil respectively).*

28. Impairment on financial assets - net of recoveries

		For the year ended 31 December	
		2023	**2022**
a)	***Provision on investments in Islamic financing***		
	Net provision made during the year	**204,094**	287,509
	Recoveries during the year	**(21,266)**	(10,160)
		182,828	**277,349**
b)	***Other provisions***		
	Net provision on other financial assets	**38,205**	39,024
	Provision on subsidiaries receivables	**319**	1,330
		38,524	**40,354**
c)	***Other recoveries during the year***	**(744)**	(3,938)
Total impairment on financial assets - net of recoveries		**220,608**	**313,765**

29. Basic and diluted earnings per share

The calculation of earnings per share is based on profit for the period attributable to the shareholders as adjusted by profit on Tier 1 sukuk divided by the weighted average number of shares 3,235,677,638 for all periods presented. The earnings per share for the year ended 31 December 2022 has been restated to account for the impact of bonus shares issued during the year ended 31 December 2023 as well as the impact of profit on Tier 1 sukuk. Previously the profit on Tier 1 Sukuk was not taken into account in the computation of EPS. The effect of the restatement of EPS due to the impact of bonus issue and the Tier 1 Sukuk is a reduction in EPS of AED 0.04.

30. Key accounting estimates, and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year and the resultant provisions and fair value. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In particular, considerable judgment is required by management in respect of the following:

Impairment losses on investment in Islamic financing and other financial assets

The Group reviews its portfolios of investment in Islamic financing and other financial assets to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgments as to whether there is an observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio within investment in Islamic financing and other financial assets before the decrease can be identified with an individual receivable in that portfolio.

A number of significant judgments are also required in applying the accounting requirements for measuring impairment of Investment in Islamic Financing and other assets, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss (ECL).
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. For detailed expected credit loss (ECL) observable and unobservable inputs, refer note 3(b)(ii)(X) and note 4a.

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Governance around IFRS 9 ECL models and calculations

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. The Bank has computed ECL using 30% weightage to the upward scenario as of 31 December 2023. Had adverse scenario been stressed by another 10% with corresponding impact on upward scenario, impairment loss allowance would be impacted by AED 15.4 million.

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The most significant period-end assumptions used for ECL estimate includes next 5-year are detailed in note 4(ii)(a)(VI).

Judgement is also required in estimating EAD, particularly for Islamic financing commitments, including letters of credit and guarantee, and revolving credit facilities such as credit cards, where deterioration in the macro economic environment is generally accompanied by an increase in the volumes and duration of the drawdowns. Credit onversion factor used by the Bank for unutilized limits has been set at 20%, thus stressing EAD to current situation.

Following both regulatory mandates and industry standards, TTC PDs are adjusted based on internal rating grades that reflect historical default rates. The Bank has integrated LGD models for its various portfolios, such as non-retail secured, non-retail unsecured, consumer home financing and Islamic financing for individuals. These models are based on the actual recovery rates as observed over the period of last five years.

Management will continually monitor how the economic conditions change over the next reporting period and will re-evaluate the adequacy of downside weight, and adverse effect, if any, will be accounted for.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation of financial instruments (continued)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation function, which is independent of front office management and reports to the Investment Committee, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving valuation function;
- calibration and back-testing of models against observed market transactions at regular intervals;
- analysis and investigation of significant valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Investment Committee.

Significant valuation issues are reported to the Investment Committee.

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation of financial instruments (continued)

The table below analyses financial and non-financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Notes	Level 1	Level 2	Level 3	Total
As at 31 December 2023					
Financial assets					
Investment securities - FVTPL	*7*	**399,019**	**-**	**329,551**	**728,570**
Investment securities FVTOCI	*7*	**2,924,503**	**-**	**308,666**	**3,233,169**
Total		**3,323,522**	**-**	**638,217**	**3,961,739**
Non-financial assets					
Investment properties	*10*	**-**	**-**	**2,822,991**	**2,822,991**

	Notes	Level 1	Level 2	Level 3	Total
As at 31 December 2022					
Financial assets					
Investment securities - FVTPL	*7*	41,479	-	329,239	**370,718**
Investment securities FVTOCI	*7*	3,186,702	-	393,167	**3,579,869**
Total		**3,228,181**	**-**	**722,406**	**3,950,587**
Non-financial assets					
Investment properties	*10*	**-**	**-**	3,085,729	**3,085,729**

There were no transfers of any financial assets in between any of the levels in fair value hierarchy during the years ended 31 December 2023 and 2022.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the hierarchy for investment securities:

	2023	**2023**	2022	2022
	FVTPL	**FVTOCI**	FVTPL	FVTOCI
Financial assets				
Balance at 1 January	**329,239**	**393,167**	206,914	259,608
Additions during the year	**1,020**	**34,783**	121,002	146,920
Disposals during the year	**-**	**(119,927)**	-	-
Revaluation (loss) / gain during the year	**(708)**	**643**	1,323	(13,361)
Balance at 31 December	**329,551**	**308,666**	**329,239**	**393,167**

Non-financial assets

Non-financial assets which are fair valued under a Level 3 hierarchy includes investment proeprties. A reconciliation from the opening balances to the closing balances for investment properties is disclosed in note 10 of these consolidated financial statements.

During the year ended 31 December 2023, the Group transferred a property of AED 14.5 million from properties held for sale to investment properties and transferred a property of AED 22.4 million from investment properties to properties held for sale *(year ended 31 December 2022, the Group transferred a property of AED 351.9 million from properties held for sale to investment properties)* - refer notes 10 and 11. The above transactions have no impact on the consolidated statement of cash flows for the years ended 31 December 2023 and 2022.

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Unobservable inputs used in measuring fair value

The investment department constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, discounted cash flow / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed. The carrying amount of the investment properties is the fair value of the properties as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on an annual basis.

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions by 10% would have the following effects.

	Effect on profit or loss		Effect on OCI	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
For the year ended 31 December 2023	**315,254**	**(315,254)**	**30,867**	**(30,867)**
For the year ended 31 December 2022	341,497	(341,497)	39,317	(39,317)

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value (amortised cost) and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
As at 31 December 2023					
Financial assets					
Cash and balances with banks and financial institutions	**3,436,612**	**-**	**-**	**3,436,612**	**3,436,612**
Murabaha and wakalah with financial institutions	**-**	**10,240,664**	**-**	**10,240,664**	**10,240,664**
Investment securities measured at amortised cost	**6,223,323**	**3,430,407**	**-**	**9,653,730**	**9,582,292**
Investment in Islamic financing	**-**	**-**	**33,030,434**	**33,030,434**	**33,030,434**
Acceptances and other financial assets	**-**	**-**	**1,236,245**	**1,236,245**	**1,236,245**
Total	**9,659,935**	**13,671,071**	**34,266,679**	**57,597,685**	**57,526,247**
Financial liabilities					
Customers' deposits	**-**	**-**	**45,206,574**	**45,206,574**	**45,206,574**
Due to banks	**-**	**9,053,932**	**-**	**9,053,932**	**9,053,932**
Sukuk payable	**1,834,869**	**-**	**-**	**1,834,869**	**1,834,869**
Acceptances and other financial liabilities	**-**	**-**	**1,275,061**	**1,275,061**	**1,275,061**
Total	**1,834,869**	**9,053,932**	**46,481,635**	**57,370,436**	**57,370,436**

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Financial instruments not measured at fair value (continued)

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
As at 31 December 2022					
Financial assets					
Cash and balances with banks and financial institutions	3,261,402	-	-	3,261,402	**3,261,402**
Murabaha and wakalah with financial institutions	-	10,848,181	-	10,848,181	**10,848,181**
Investment securities measured at amortised cost	2,760,876	1,793,814	-	4,554,690	**4,594,791**
Investment in Islamic financing	-	-	30,671,517	30,671,517	**30,671,517**
Acceptances and other financial assets	-	-	945,415	945,415	**945,415**
Total	**6,022,278**	**12,641,995**	**31,616,932**	**50,281,205**	**50,321,306**
Financial liabilities					
Customers' deposits	-	-	39,529,231	39,529,231	**39,529,231**
Due to banks	-	6,664,385	-	6,664,385	**6,664,385**
Sukuk payable	3,669,693	-	-	3,669,693	**3,669,693**
Acceptances and other financial liabilities	-	-	1,449,356	1,449,356	**1,449,356**
Total	**3,669,693**	**6,664,385**	**40,978,587**	**51,312,665**	**51,312,665**

Valuation of investment properties

The fair value of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio annually.

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used. The Group has taken the highest and best use fair values for the fair value measurement of its investment properties

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value
Investment method	Expected market rental growth rate	The estimated fair value increase / decrease
	Risk adjusted discount rates	Expected market rental growth rate were higher or lower
	Free hold property	The risk adjusted discount rates were lower / higher
	Condition of the property / Planning permissions	The property is subject to any adverse legal notices / judgment

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation of investment properties (continued)

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value
Comparison method	The comparison approach involves examining and analysing recent market transaction/data and making adjustments to this data to account for differences in location, building area, quality of accommodation, finish, date of sale, view, aspect and other individual characteristics	The property is subject to any defect / damages The estimated fair value increase / decrease if the inputs to the comparison

31. Segment reporting

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's activities comprise the following main business segments:

a. Government and corporate

Within this business segment the Bank provides companies, institutions and government departments with a range of Islamic financial products and services. This includes exposure to high net worth individuals.

b. Retail

The retail segment provides a wide range of Islamic financial services to individuals.

c. Investment and treasury

This segment mainly includes wakalah deals with other financial institutions, investments securities, investment properties, properties held for sale, sukuks issued and other money market activities.

d. Hospitality, brokerage and real estate

The Bank and its subsidiaries SNH, SIFS and ASAS provides hospitality, brokerage and real estate services respectively.

31. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
For the year ended 31 December 2023					
Consolidated statement of profit or loss					
Income from investments in Islamic financing and sukuks	**1,563,194**	**395,376**	**1,130,339**	**-**	**3,088,909**
Distribution to depositors and sukuk holders	**(1,113,624)**	**(121,984)**	**(400,336)**	**-**	**(1,635,944)**
Net income from financing and investment products	**449,570**	**273,392**	**730,003**	**-**	**1,452,965**
Fee and commssion income	**142,261**	**71,987**	**43,628**	**95,181**	**353,057**
Fee and commission expense	**(33,204)**	**(21,224)**	**(23,115)**		**(77,543)**
Net fee and commission income	**109,057**	**50,763**	**20,513**	**95,181**	**275,514**
Investment income	**-**	**-**	**75,229**	**-**	**75,229**
Foreign exchange income	**34,429**	**10,755**	**10,317**	**8,171**	**63,672**
Other income	**-**	**-**	**322**	**107,320**	**107,642**
Total operating income	**593,056**	**334,910**	**836,384**	**210,672**	**1,975,022**
General and administrative expenses	**-**	**-**	**-**	**(57,233)**	**(57,233)**
General and administrative expenses - unallocated	**-**	**-**	**-**	**-**	**(627,221)**
Net operating income before impairment and revaluation	**593,056**	**334,910**	**836,384**	**153,439**	**1,290,568**
Impairment on financial assets - net of recoveries	**(197,333)**	**11,126**	**(33,800)**	**(601)**	**(220,608)**
Revaluation loss on properties	**-**	**-**	**-**	**(218,420)**	**(218,420)**
Profit for the year	**395,723**	**346,036**	**802,584**	**(65,582)**	**851,540**
As at 31 December 2023					
Consolidated statement of financial position					
Assets					
Segment assets	**29,172,310**	**5,303,172**	**27,361,142**	**3,015,321**	**64,851,945**
Unallocated assets	**-**	**-**	**-**	**-**	**1,027,036**
Total assets	**29,172,310**	**5,303,172**	**27,361,142**	**3,015,321**	**65,878,981**
Liabilities					
Segment liabilities	**36,943,593**	**8,221,769**	**11,363,516**	**691,990**	**57,220,868**
Unallocated liabilities	**-**	**-**	**-**	**-**	**531,445**
Total liabilities	**36,943,593**	**8,221,769**	**11,363,516**	**691,990**	**57,752,313**

31. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
For the year ended 31 December 2022					
Consolidated statement of profit or loss					
Income from investments in Islamic financing and sukuks	1,034,134	341,256	563,271	-	**1,938,661**
Distribution to depositors and sukuk holders	(458,444)	(51,833)	(215,022)	-	**(725,299)**
Net income from financing and investment products	575,690	289,423	348,249	-	**1,213,362**
Fee and commssion income	123,919	77,827	38,761	47,287	**287,794**
Fee and commission expense	(25,603)	(37,396)	(620)	-	**(63,619)**
Net fee and commission income	**98,316**	**40,431**	**38,141**	**47,287**	**224,175**
Investment income	-	-	67,094	-	**67,094**
Foreign exchange income	25,887	3,858	10,829	(17,305)	**23,269**
Other income	-	-	120	81,099	**81,219**
Total operating income	**699,893**	**333,712**	**464,433**	**111,081**	**1,609,119**
General and administrative expenses	-	-	-	(45,149)	**(45,149)**
General and administrative expenses - unallocated	-	-	-	-	**(565,675)**
Net operating income before impairment and revaluation	**699,893**	**333,712**	**464,433**	**65,932**	**998,295**
Impairment on financial assets - net of recoveries	(248,539)	(5,151)	(58,745)	(1,330)	**(313,765)**
Revaluation loss on properties	-	-	-	(33,616)	**(33,616)**
Profit for the year	**451,354**	**328,561**	**405,688**	**30,986**	**650,914**
As at 31 December 2022					
Consolidated statement of financial position					
Assets					
Segment assets	25,765,959	4,921,466	24,351,171	3,165,501	58,204,097
Unallocated assets	-	-	-	-	918,792
Total assets	**25,765,959**	**4,921,466**	**24,351,171**	**3,165,501**	**59,122,889**
Liabilities					
Segment liabilities	32,957,377	6,619,779	10,791,057	325,105	50,693,318
Unallocated liabilities	-	-	-	-	797,163
Total liabilities	**32,957,377**	**6,619,779**	**10,791,057**	**325,105**	**51,490,481**

(Currency: Thousands of U.A.E. Dirhams)

31. Segment reporting (continued)

Geographical analysis

	As at 31 December 2023							
	GCC	Other Arab countries	North America	United States of America	Europe	Asia	Other	Total
Assets								
Cash and balances with banks and financial institutions	**2,551,500**	**1,364**	**3,749**	**690,306**	**158,984**	**30,709**	**-**	**3,436,612**
Murabaha and wakalah with financial institutions	**9,597,889**	**110,190**	**-**	**-**	**183,650**	**348,935**	**-**	**10,240,664**
Investment securities measured at fair value	**3,075,934**	**-**	**-**	**-**	**-**	**885,805**	**-**	**3,961,739**
Investment securities measure at amortised cost	**8,669,980**	**138,161**	**-**	**-**	**-**	**774,151**	**-**	**9,582,292**
Investments in Islamic financing	**32,662,995**	**322,918**	**928**	**73**	**2,877**	**40,643**	**-**	**33,030,434**
Acceptances	**209,135**	**-**	**-**	**-**	**-**	**-**		**209,135**
Investment properties	**2,822,991**	**-**	**-**	**-**	**-**	**-**	**-**	**2,822,991**
Properties held-for-sale	**526,215**	**-**	**-**	**-**	**-**	**-**	**-**	**526,215**
Other assets	**1,011,207**	**15,106**	**45,913**	**65**	**5,345**	**39,656**	**-**	**1,117,292**
Intangible assets	**61,664**	**-**	**-**	**-**	**-**	**-**	**-**	**61,664**
Property and equipment	**889,943**	**-**	**-**	**-**	**-**	**-**	**-**	**889,943**
Total assets	**62,079,453**	**587,739**	**50,590**	**690,444**	**350,856**	**2,119,899**	**-**	**65,878,981**
Liabilities and shareholders' equity								**-**
Customers' deposits	**45,098,312**	**27,358**	**9,587**	**9,372**	**36,108**	**20,492**	**5,345**	**45,206,574**
Due to banks	**7,473,206**	**73,460**	**-**	**-**	**1,407,931**	**99,335**	**-**	**9,053,932**
Sukuk payable	**1,834,869**	**-**	**-**	**-**	**-**	**-**	**-**	**1,834,869**
Accptances	**209,603**	**-**	**-**	**-**	**-**	**-**	**-**	**209,603**
Other liabilities and zakat payable	**1,437,311**	**792**	**1,212**	**17**	**7,739**	**263**	**1**	**1,447,335**
Shareholders' equity	**8,126,668**	**-**	**-**	**-**	**-**	**-**	**-**	**8,126,668**
Total liabilities and shareholder's equity	**64,179,969**	**101,610**	**10,799**	**9,389**	**1,451,778**	**120,090**	**5,346**	**65,878,981**
Contingent liabilities	**3,077,176**	**-**	**-**	**-**	**51**	**-**	**-**	**3,077,227**

(Currency: Thousands of U.A.E. Dirhams)

31. Segment reporting (continued)

Geographical analysis (continued)

	As at 31 December 2022							
	GCC	Other Arab countries	North America	United States of America	Europe	Asia	Other	Total
Assets								
Cash and balances with banks and financial institutions	2,993,651	1,814	4,226	134,878	123,618	3,215	-	3,261,402
Murabaha and wakalah with financial institutions	10,462,516	-	-	-	183,650	202,015	-	10,848,181
Investment securities measured at fair value	3,242,466	-	-	-	-	708,121	-	3,950,587
Investment securities measure at amortised cost	4,178,823	-	-	-	-	415,968	-	4,594,791
Investments in Islamic financing	30,040,110	396,211	-	69	2,708	232,419	-	30,671,517
Acceptances	152,822	-	-	-	-	-	-	152,822
Investment properties	3,085,729	-	-	-	-	-	-	3,085,729
Properties held-for-sale	335,617	-	-	-	-	-	-	335,617
Other assets	1,204,239	5,695	-	21	2,560	35,791	-	1,248,306
Intangible assets	61,988	-	-	-	-	-	-	61,988
Property and equipment	911,949	-	-	-	-	-	-	911,949
Total assets	**56,669,910**	**403,720**	**4,226**	**134,968**	**312,536**	**1,597,529**	**-**	**59,122,889**
Liabilities and shareholders' equity								
Customers' deposits	39,411,931	26,598	8,239	9,080	32,263	34,424	6,696	39,529,231
Due to banks	5,239,364	113,863	-	-	1,211,742	99,416	-	6,664,385
Sukuk payable	3,669,693	-	-	-	-	-	-	3,669,693
Acceptances	152,902	-	-	-	-	-	-	152,902
Other liabilities and zakat payable	1,450,029	354	16,935	13	6,581	358	-	1,474,270
Shareholders' equity	7,632,408	-	-	-	-	-	-	7,632,408
Total liabilities and shareholder's equity	**57,556,327**	**140,815**	**25,174**	**9,093**	**1,250,586**	**134,198**	**6,696**	**59,122,889**
Contingent liabilities	**2,336,486**	**-**	**-**	**-**	**-**	**191**	**-**	**2,336,677**

32. Contingencies and commitments

The Bank provides financial guarantees and letter of credit to meet the requirements of the Bank's customers. These agreements have fixed limits and expirations and are not concentrated in any period. The amounts reflected for guarantees represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. These contingent liabilities have off balance-sheet credit risk as only the related fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

	As at 31 December	
	2023	2022
a) Letter of credit by sector:		
Corporate	**346,126**	222,682
Government	**127**	11,141
	346,253	**233,823**
b) Letter of guarantee by sector:		
Banks	**133,482**	134,265
Corporate	**2,225,082**	1,598,300
Government	**14,705**	13,190
High net worth individual	**16,777**	19,381
Non-banking financial institution	**332,068**	327,068
Retail	**8,861**	10,650
	2,730,974	**2,102,854**
c) Commitments		
Property and equipment	**19,452**	17,534
Other real estate commitments	**347,075**	74,293
Other commitment to extend credit - irrevocable	**539,606**	663,403
	906,133	**755,230**

The letter of guarantees issued also include financial guarantees of AED 50 million and AED 5 million *(As at 31 December 2022: AED 50 million and AED 5 million)* to the Department of Economic Development and Real Estate Registration Department against a real estate leasing and management license for ASAS Real Estate.

In addition, a financial guarantee of AED 230 million which comprises of AED 100 million issued to Abu Dhabi Securities Exchange, AED 100 million to Dubai Financial Market and AED 30 million to the Central Bank of UAE against conducting brokerage operations for Sharjah Islamic Financial Services LLC *(As at 31 December 2022: AED 230 million)* .

d) Others

Total net asset value of the Funds under management as at 31 December 2023 amounts to AED 2,172 million *(As at 31 December 2022:AED 1,217 million)*

The Bank receives legal claims arising in the normal course of business. As of the reporting date, The Bank has assessed these claims and considers them not to be material, individually or in aggregate. Where appropriate, the Bank has recognised a provision for liabilities when it was probable that an outflow of economic resources embodying economic benefits would be required and for which a reliable estimate could be made of the obligation. The Bank seeks to comply with all applicable laws and regulations, but may be subject to regulatory actions and investigations from time to time, the outcome of which are generally difficult to predict and can be material.

32. Contingencies and commitments (continued)

Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") of letter of credit and letter of guarantees and loss allowance ("ECL") can be seen below

	31 December 2023							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2023	**826,066**	**1,386**	**8,168**	**496**	**91**	**60**	**834,325**	**1,942**
Transfer to stage 1	**25**	**-**	**(25)**	**-**	**-**	**-**	**-**	**-**
Transfer to stage 2	**(725)**	**(8)**	**725**	**3**	**-**	**5**	**-**	**-**
Transfer to stage 3	**(2,227)**	**-**		**(2)**	**2,227**	**2**	**-**	**-**
Net movement in GCV	**125,514**	**-**	**(603)**	**-**	**(1,284)**	**-**	**123,627**	**-**
Net re-measurement of loss allowance	**-**	**1,006**	**-**	**164**	**-**	**(4)**	**-**	**1,166**
Balance at 31 December 2023	**948,653**	**2,384**	**8,265**	**661**	**1,034**	**63**	**957,952**	**3,108**

	31 December 2022							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2022	**441,435**	**2,367**	**25,159**	**166**	**31**	**-**	**466,625**	**2,533**
Transfer to stage 1	-	-	-	-	-	-	**-**	**-**
Transfer to stage 2	(800)	(12)	800	12	-	-	**-**	**-**
Transfer to stage 3	-	-	(60)	(1)	60	1	**-**	**-**
Net movement in GCV	385,431	-	(17,731)	-	-	-	**367,700**	**-**
Net re-measurement of loss allowance	-	(969)	-	319	-	59	**-**	**(591)**
Balance at 31 December 2022	**826,066**	**1,386**	**8,168**	**496**	**91**	**60**	**834,325**	**1,942**

In accordance with IFRS9, for the purpose of above movement, only financial guarantees and letter of credit have been considered.

33. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Other related parties includes balances due to / from entities under common control of either major shareholders or key management personnel. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties. At the reporting date, such significant balances include:

	Key management personnel	Major shareholders	Other related parties	Total
Consolidated statement of financial position				
As at 31 December 2023				
Investments in Islamic financing	**441,672**	**4,239,638**	**5,778,496**	**10,459,806**
Investment securities measured at fair value	**-**	**602,574**	**-**	**602,574**
Investment securities measured at amortised cost	**-**	**963,979**	**-**	**963,979**
Customers' deposits	**(224,179)**	**(3,890,069)**	**(3,521,260)**	**(7,635,508)**
Contingent liabilities	**-**	**3,142**	**164,123**	**167,265**
As at 31 December 2022				
Investments in Islamic financing	389,533	4,866,444	5,579,119	**10,835,096**
Investment securities measured at fair value	-	594,252	-	**594,252**
Investment securities measured at amortised cost	-	780,329	-	**780,329**
Customers' deposits	(151,251)	(3,441,429)	(3,973,153)	**(7,565,833)**
Contingent liabilities	-	1,383	141,926	**143,309**
Consolidated statement of profit or loss				
For the year ended 31 December 2023				
Income from investments in Islamic financing and sukuk	**15,254**	**261,669**	**395,034**	**671,957**
Depositors' share of profit	**(3,630)**	**(202,846)**	**(92,951)**	**(299,427)**
Fee and commission income	**-**	**-**	**1,359**	**1,359**
For the year ended 31 December 2022				
Income from investments in Islamic financing and sukuk	10,779	171,884	270,696	**453,359**
Depositors' share of profit	(128)	(82,259)	(55,470)	**(137,857)**
Fee and commission income	-	-	1,065	**1,065**

For the year ended 31 December 2023, key management compensation includes salaries and other short term benefits of AED 25.4 million and post-employment benefits of AED 1.8 million respectively *(For the year ended 31 December 2022: AED 24.0 million and AED 8.6 million respectively)* .

Major shareholders include Sharjah Asset Management LLC, Kuwait Finance House and Sharjah Social Security Fund who hold 28.46%, 18.18% and 9.09% of the Bank's issued and fully paid up share capital respectively. The remaining shareholders do not own more than 1% of the share capital individually. The ultimate controlling party of the Bank is the Government of Sharjah.

As at 31 December 2023 and 2022, the Group does not have any related party balances classified as stage 3.

34. Social contributions

During the year ended 31 December 2023, the Bank has made social contributions of AED 90.4 million *(year ended 31 December 2022: AED 64.4 million)* from the zakat fund. Zakat fund is calculated in accordance with note 3(n).

The Bank has also made a social contribution of AED 4.5 million during the year ended 31 December 2023 *(year ended 31 December 2022: AED 5.8 million)* as donations and charities. These donations and charities are the amounts collected from the customers of the Bank as approved and defined by Bank's Fatwa and Shari'a Supervisory Board.

The Bank further made social contributions of AED 2.3 million during the year ended 31 December 2023 *(year ended 31 December 2022: 1.6 million)* as sponsorships to universities and other public service organisations.

35. Dividends

During the annual general meeting of the shareholders held on 26 February 2023, a cash dividend of 10% of the paid up capital, amounting to AED 308.2 million (AED 0.1 per share) and 5% bonus shares amounting AED 154.1 million (1 share for each 20 shares) was approved for the year ended 31 December 2022 (During the annual general meeting of the shareholders held on 27 February 2022, a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million (AED 0.08 per share) was approved for the year ended 31 December 2021).

36. Subsequent events

There have been no other events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2023.

37. Climate change

Abu Dhabi Securities Exchange has deployed key initiatives to promote the adoption of Environment, Social, and Governance (ESG) among the listed companies and investors. · Promoting sustainability reporting: Promoting market education through the deployment of a sustainability reporting disclosure guide, group and individual engagement sessions with the listed companies:

- Promoting sustainable financial products: Encouraging the development of green financial products such as Green
- Promoting responsible investment practices: Encouraging dialogue between investors and listed companies on

In November 2019, ADX issued guidelines on disclosures over economic, social and governance matters, putting together 31 key areas around which listed companies can report their performance. Owing to the guidelines, the Group issued its "Sustainability report" for the year 2022 and is available on SIB website for investors and other stakeholders.

38. Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (UAE CT Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023 (where the Tax Period is generally aligned with the financial accounting period).

The UAE CT Law shall apply to the Group with effect from 1 January 2024. The UAE CT Law is subject to further clarification by supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Group.

38. Taxation (continued)

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, we would consider the UAE CT Law to be substantively enacted for the purposes of IAS 12 – Income Taxes, and that the impact of the UAE CT Law should be assessed on the consolidated financial statements for the Group. Following assessment of the potential impact of the UAE CT Law on the balance sheet, there are no material temporary differences on which deferred taxes should be accounted for.

The Group has performed an assessment of the potential impact of the UAE CT Law. Based on this assessment, there are no material temporary differences on which deferred taxes should be accounted for as of 31 December 2023 and accordingly the implementation of the UAE CT Law has no impact on the consolidated statement of financial position of the Group as at 31 December 2023 nor on the consolidated statement of profit or loss of the Group for the year ended 31 December 2023. The Company will continue to monitor the publication of subsequent decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to this position at subsequent reporting dates.

39. Comparative figures

Consolidated statement of financial position

Acceptances (AED 152.8 million and AED 152.9 million as at 31 December 2022) which were previously classified within other assets and other liabilities respectively have now been presented separately on the consolidated statement of financial position. As at 1 January 2022, acceptances included within other assets and other liabilities amounted to AED 156.8 million and AED 156.9 million respectively.

The above reclassification has no impact on the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year ended 31 December 2022.

Consolidated statement of cash flows

During the year ended 31 December 2023, cash flow with respect to Zakat, amounting to AED 64.4 million for the year ended 31 December 2022, which was previously included within "Cash flows from operating activities" has been reclassified to "Cash flows from financing activities" resulting in an increase in "Cash flows from operating activities" of AED 64.4 million and a decrease in "Cash flows from financing activities" by AED 64.4 million for the year ended 31 December 2022.

During the year ended 31 December 2023, net cash flows with respect to acquisition and disposal of properties held for sale amounting to AED 10.1 million for the year ended 31 December 2022, which were previously included within "Cash flows from investing activities" have been reclassified to "Cash flow from operating activities" resulting in an increase in "Cash flow from operating activities" of AED 10.1 million and a decrease in "Cash flows from investing activities" by AED 10.1 million for the year ended 31 December 2022.

As a result of the above reclassifications, the "Cash flows from operating activities", "Cash flows from investing activities" and "Cash flows from financing activities" for the year ended 31 December 2022 were restated from AED 0.20 billion to AED 0.15 billion, AED 2.54 billion to AED 2.53 billion and AED 0.34 billion to AED 0.40 billion respectively.

There is no impact of the above changes on the net cash and cash equivalents as at 1 January 2022 or 31 December 2022.

40. Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 18 January 2024. The Directors have the power to amend the consolidated financial statements after issue.