EMIRATES ISLAMIC الإمارات الإسلامي

Date: 27 February 2025

Ref ENBD/GCS/ 2025/ 025

Mr. Hamed Ahmed Ali

Chief Executive Officer

Dubai Financial Market

P.O. Box 9700

Dubai - United Arab Emirates

After Greetings,

Pursuant to the announcement made by Emirates Islamic Bank (P.J.S.C.) (the "**Bank**") dated 25 February 2025 concerning the Bank's receipt of a notification from Emirates NBD Bank (P.J.S.C.) of a mandatory cash offer to acquire all shares in the Bank that will result in it owning 100% of the issued and paid up ordinary shares of the Bank for cash consideration of AED 11.95 per share (the "**Offer**"), the Bank now announces that on 27 February 2025 it has received the offer document ("**Offer Document**") providing further details on the Offer.

The terms of the Offer are set out in the Offer Document, which is attached.

The Bank's Board of Directors will consider, among other matters, the Offer, and the Bank will make further announcements regarding the Offer, including

التاريخ :27 فبراير 2025

مرجعنا: ENBD/GCS/ 2025/ 025

السيد / حامد أحمد علي المحترم

الرئيس التنفيذي

سوق دبي المالي

ص. ب.: 9700

دبي – ا.ع.م

تحية طيبة وبعد،

وفقا للإعلان الصادر عن مصرف الإمارات الإسلامي ش.م.ع ("**المصرف**") بتاريخ 25 فبراير 2025 بشأن استلام اشعار من بنك الإمارات دبي الوطني ش.م.ع بخصوص عرض نقدي إلزامي للاستحواذ على جميع الأسهم في مصرف الإمارات الإسلامي ش.م.ع والذي سينتج عنه تملك بنك الإمارات دبي الوطني نسبة 100٪ من الأسهم العادية المصدرة والمدفوعة لمصرف الإمارات الإسلامي ش.م.ع مقابل مبلغ نقدي قدره 11.95 درهم إماراتي لكل سهم ("**العرض**")، يعلن المصرف الان انه في تاريخ 27 فبراير 2025 قد تلقى مستند العرض الرسمي ("**مستند العرض**") الذي يوفر مزيدا من التفاصيل عن العرض.

تم تحديد شروط العرض في مستند العرض المرفق.

سيراجع مجلس إدارة المصرف العرض، من بين أمور اخرى، وسيقوم المصرف بإصدار إعلانات إضافية بشان العرض بما في ذلك نشر نشرة موجهة الى المساهمين وفقا لقرار

الإمارات الإسلامي
EMIRATES ISLAMIC

رئيس مجلس إدارة هيئة الأوراق المالية والسلع رقم (18/ر.م) لسنة 2017 بخصوص قواعد الاندماج والاستحواذ لشركات المساهمة العامة.

publishing the recommendation of the Bank's Board of Directors with respect to the Offer in accordance with the decision of the Chairman of the Board of Directors of the Securities and Commodities Authority No. (18/R.M) of 2017 Regarding the Rules of Acquisition and Merger of Public Joint Stock Companies.

وتفضلوا بقبول فائق الاحترام والتقدير،

Best Regards,

Signed by:

43608199CA624FC...

د. احمد الخلفاوي
رئيس الشؤون القانونية
مصرف الإمارات الإسلامي ش.م.ع
Dr. Ahmed Alkhalfawi
Head of Legal
Emirates Islamic Bank (P.J.S.C.)

نسخة إلى: هيئة الأوراق المالية والسلع

cc: Securities & Commodities Authority

EMIRATES NBD BANK P.J.S.C.

بنك الإمارات دبي الوطني ش.م.ع.

(Incorporated under the Department of Economic Development in Dubai, UAE)
License Number 598201

(شركة تأسست بموجب دائرة التنمية الاقتصادية في دبي، الإمارات العربية المتحدة)
ترخيص رقم 598201

OFFER DOCUMENT

مستند عرض

Emirates NBD Bank P.J.S.C's mandatory cash offer to acquire all shares in Emirates Islamic Bank P.J.S.C. that will result in it owning 100% of the issued and paid up ordinary shares of Emirates Islamic Bank P.J.S.C. for cash consideration of AED 11.95 per Emirates Islamic Bank P.J.S.C. share.

عرض نقدي إلزامي من قبل بنك الإمارات دبي الوطني ش.م.ع. للاستحواذ على جميع الأسهم في مصرف الإمارات الإسلامي ش.م.ع. والذي سينتج عنه تملك بنك الإمارات دبي الوطني نسبة 100٪ من الأسهم العادية المصدرة والمدفوعة لمصرف الإمارات الإسلامي ش.م.ع. مقابل مبلغ نقدي قدره 11.95 درهم اماراتي لكل سهم من اسهم مصرف الإمارات الإسلامي ش.م.ع.

Emirates NBD Bank P.J.S.C. currently owns 99.8923% of Emirates Islamic Bank P.J.S.C., and will make a mandatory acquisition offer of the remaining 0.1077% in Emirates Islamic Bank P.J.S.C. in accordance with Article (11) of the M&A Rules, Article 299(2) of the Commercial Companies Law and Article (14 bis) (as proposed) of the Articles of Association.

يمتلك بنك الإمارات دبي الوطني ش.م.ع. حاليًا نسبة 99.8923% من مصرف الإمارات الإسلامي ش.م.ع، وسيقوم البنك بتقديم عرض استحواذ إلزامي على النسبة المتبقية البالغة 0.1077% من مصرف الإمارات الإسلامي ش.م.ع.، وذلك وفقًا للمادة (11) من قواعد الاندماج والاستحواذ، والمادة 299(2) من قانون الشركات التجارية، والمادة (14 مكرر) (كما هو مقترح) من النظام الأساسي.

Important: If you are in any doubt about any aspect of this Offer Document or as to the action you should take, then you should consult a financial advisor licensed by the UAE Securities and Commodities Authority.

هام: إذا كانت لديك أي شكوك بشأن أي جانب من جوانب مستند العرض هذا أو الإجراء الذي ينبغي عليك اتباعه، يجب عليك استشارة مستشار مالي مرخّص من قبل هيئة الأوراق المالية والسلع في الإمارات العربية المتحدة.

If you have sold or otherwise transferred all of your EIB Shares (other than pursuant to the Offer), please send this Offer Document at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. **However, the foregoing documents must not be forwarded or transmitted in or into any Restricted Jurisdiction or in or into any jurisdiction where to do so would constitute a violation of the relevant laws in that jurisdiction**. If you have sold or transferred only part of your holding of EIB Shares, then you should retain this Offer Document and consult your professional adviser.

في حال قمتم ببيع جميع أسهمكم في مصرف الإمارات الإسلامي أو نقل ملكيتها (بأي طريقة أخرى بخلاف العرض)، يرجى إرسال هذا المستند في الحال إلى المشتري أو المتنازل إليه أو الى البنك أو سمسار الأسهم أو أي وكيل آخر يتم من خلاله البيع أو التنازل لتسليمه الى المشتري أو المتنازل إليه. **ومع ذلك، يمنع ويحظر إعادة توجيه المستندات السابقة أو إرسالها إلى أي دولة محظورة أو إلى أي دولة يشكل فيها ذلك انتهاكاً للقوانين ذات الصلة في تلك الدولة**. وفي حال قمتم ببيع أو التنازل عن جزء من أسهمكم في مصرف الإمارات الإسلامي، فعليكم الاحتفاظ بهذا المستند وطلب المشورة من مستشاركم المهني الخاص بكم.

DISCLAIMER STATEMENT

بيان إخلاء المسؤولية

The UAE Securities and Commodities Authority, the Dubai Financial Market and the Dubai CSD shall not be liable for the content of this Offer Document and shall not submit any confirmation in relation to the accuracy or completeness thereof, and hereby expressly disclaim any responsibility for any loss arising from the content of this Offer Document or from relying on any part thereof.

لا تتحمل هيئة الأوراق المالية والسلع في الإمارات العربية المتحدة وسوق دبي المالي ومركز دبي للإيداع أي مسؤولية عن محتوى مستند العرض هذا ولن تقدما أي تأكيد فيما يتعلق بدقته أو اكتماله، وتخليان مسؤوليتهما بموجبه صراحةً عن أي خسارة تنشأ عن محتوى مستند العرض هذا أو عن الاعتماد على أي جزء منه.

This Offer Document is dated 27 February 2025

يصدر مستند العرض هذا بتاريخ 27 فبراير 2025

Offeror

مقدم العرض

EMIRATES NBD BANK P.J.S.C.

بنك الإمارات دبي الوطني ش.م.ع.

Baniyas Road, Deira, P.O. Box 777, Dubai, United Arab Emirates

شارع بني ياس، ديرة، ص.ب 777، دبي، الإمارات العربية المتحدة

Legal Advisor to the Offeror

المستشار القانوني لمقدم العرض

Clifford Chance LLP

كليفورد تشانس إل إل بي

CLIFFORD CHANCE

Receiving Agent and Lead Manager

Emirates NBD Bank P.J.S.C.
and
Emirates NBD Capital PSC

EIB Shareholders wishing to accept the Offer must respond with a completed Acceptance and Transfer Form, so as to be received by electronic submission at EIB@EmiratesNBD.com or as otherwise set out in the Acceptance and Transfer Form no later than 2:00PM on 27 March 2025.

DECLARATION

EMIRATES NBD BANK P.J.S.C. ACCEPTS FULL RESPONSIBILITY FOR THE CORRECTNESS AND ACCURACY OF INFORMATION CONTAINED IN THIS OFFER DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF EMIRATES NBD BANK P.J.S.C., WHICH HAS TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS OFFER DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS OF ANY MATERIAL FACTS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS OFFER DOCUMENT.

STATEMENT FROM EMIRATES NBD BANK P.J.S.C.

This Offer Document has been prepared by Emirates NBD Bank P.J.S.C. in accordance with SCA Chairman Resolution No. (18/RM) of 2017 concerning the merger and acquisition rules for public joint stock companies and the Decision No. (62/RT) of 2017 concerning the technical requirements for acquisition and merger rules, to provide information to the shareholders of Emirates Islamic Bank P.J.S.C. in connection with the offer made by Emirates NBD Bank P.J.S.C. to acquire 100% of the issued and paid up ordinary shares of Emirates Islamic Bank P.J.S.C.

CLIFFORD CHANCE

وكيل الاستلام و المدير الرئيسي

بنك الإمارات دبي الوطني ش.م.ع.
و
شركة الإمارات دبي الوطني كابيتال المحدودة

يجب على مساهمي مصرف الإمارات الإسلامي الراغبين في قبول العرض الرد باستخدام نموذج قبول وتحويل مكتمل، على ان يتم استلامه عن طريق التقديم الإلكتروني على EIB@EmiratesNBD.comأو كما هو وارد بخلافه في نموذج القبول والتحويل في موعد أقصاه الساعة 2:00 ظهرا بتاريخ 27 مارس 2025.

إقرار

يتحمل بنك الإمارات دبي الوطني ش.م.ع. المسؤولية الكاملة عن صحة ودقة المعلومات الواردة في مستند العرض هذا. تتفق المعلومات الواردة في مستند العرض هذا مع الحقائق ولا تنطوي على أي إسقاطات من المحتمل أن تؤثر على أهمية واكتمال مستند العرض هذا ولا توجد حقائق جوهرية تم إغفالها أو تجاهلها، وقد بذل بنك الإمارات دبي الوطني ش.م.ع. عناية الشخص الحريص لضمان أن المستند على هذه الحالة.

بيان من بنك الإمارات دبي الوطني ش.م.ع.

تم إعداد مستند العرض هذا بواسطة بنك الإمارات دبي الوطني ش.م.ع. وفقًا لقرار رئيس مجلس إدارة هيئة الأوراق المالية والسلع رقم (18/ر.م) لسنة 2017 بشأن قواعد الاندماج والاستحواذ للشركات المساهمة العامة والقرار رقم 62/(رت) لسنة 2017 بشأن المتطلبات الفنية لقواعد الاندماج والاستحواذ، من أجل توفير معلومات لمساهمي مصرف الإمارات الإسلامي ش.م.ع. فيما يتعلق بالعرض المقدم من بنك الإمارات دبي الوطني ش.م.ع. للاستحواذ على 100% من الأسهم العادية المُصدرة والمدفوعة لمصرف الإمارات الإسلامي ش.م.ع .

TO ACCEPT THE OFFER

لقبول العرض

EIB Shareholders wishing to accept the Offer must complete, sign and return the Acceptance and Transfer Form accompanying this Offer Document as soon as possible and, in any event, so as to be received by electronic submission at EIB@EmiratesNBD.com or as otherwise set out in the Acceptance and Transfer Form no later than 2:00PM on 27 March 2025 (or such later date as may be notified by the Offeror to EIB).

يجب على مساهمي مصرف الإمارات الإسلامي الراغبين في قبول العرض استكمال نموذج القبول والتحويل المرفق بمستند العرض هذا وتوقيعه وإعادته في أقرب وقت ممكن، ويتم تسليمه، في جميع الأحوال، عن طريق التقديم الإلكتروني على EIB@EmiratesNBD.com أو كما هو وارد بخلافه في نموذج القبول والتحويل في موعد أقصاه 2:00 ظهرا بتاريخ 27 مارس 2025 (أو أي تاريخ لاحق يتم إخطار مصرف الإمارات الإسلامي به من قبل مقدم العرض).

Further guidance on the procedures for acceptance of the Offer are set out in the Acceptance and Transfer Form accompanying this Offer Document.

المزيد من الإرشادات بخصوص إجراءات قبول العرض موجودة في نموذج القبول والتحويل المرفق بمستند العرض هذا.

If you have any questions relating to the procedure for acceptance of the Offer, please contact the Receiving Agent on +971 (4) 316 0050 between 9:00AM and 5:00PM from Monday to Friday. The Receiving Agent cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

إذا كانت لديك أية أسئلة تتعلق بإجراءات قبول العرض، فيرجى الاتصال بوكيل الاستلام على الرقم 0050 316 (4) 971+ بين الساعة 8:00 صباحا والساعة 5:00 مساء من يوم الاثنين الى الجمعة. لا يمكن لوكيل الاستلام تقديم المشورة بشأن مزايا العرض أو تقديم أي مشورة مالية أو قانونية أو ضريبية.

You are advised to read the whole of this Offer Document carefully.

ننصحك بقراءة مستند العرض هذا بالكامل وبعناية.

THE OFFER OPENING DATE WILL BE 27 FEBRUARY 2025 AND THE OFFER CLOSING DATE IS 2:00PM ON 27 MARCH 2025.

يكون تاريخ فتح العرض 27 فبراير 2025، وسيكون تاريخ إغلاق العرض الساعة 2:00 ظهرا بتاريخ 27 مارس 2025.

IMPORTANT INFORMATION

معلومات هامة

IMPORTANT: If you are in any doubt about the contents of this Offer Document and the aspects of the Offer, you should consult a financial advisor licensed by SCA.

هام: إذا كانت لديك أي شكوك بشأن محتويات وثيقة العرض هذه أو جوانب العرض، فينبغي عليك استشارة مستشار مالي مرخص من هيئة الأوراق المالية والسلع (SCA).

No person should construe the contents of this Offer Document as legal, financial or tax advice.

لا ينبغي لأي شخص أن يفسر محتويات هذه الوثيقة على أنها نصيحة قانونية أو مالية أو ضريبية.

This Offer Document has been prepared in connection with a mandatory cash offer made by Emirates NBD Bank P.J.S.C. (the "**Offeror**" or "**ENBD**") to acquire 100% of the issued and paid up ordinary shares ("**Ordinary Shares**") of Emirates Islamic Bank P.J.S.C. ("**EIB**" or the "**Offeree**") on the terms and conditions set out in this Offer

تم إعداد مستند العرض هذا فيما يتعلق بعرض نقدي إلزامي ("**العرض**") مقدم من بنك الإمارات دبي الوطني ش.م.ع. ("**مقدم العرض**" أو "**ENBD**") للاستحواذ على 100% من الأسهم العادية المُصدرة والمدفوعة "**الأسهم العادية**" لمصرف الإمارات الإسلامي ش.م.ع. ("**EIB**" أو"**متلقي العرض**") وفقًا للشروط والأحكام المنصوص عليها في مستند العرض هذا. لا يصبح هذا العرض غير مشروط إلا في حالة

Document. This Offer becomes unconditional only if the Condition Precedent is fulfilled, where applicable, as set out in section 2.9 (*Condition Precedent to the Offer*) of this Offer Document.

استيفاء أو التنازل عن، حسب الاقتضاء، الشرط المسبق المنصوص عليه في القسم 2-9 (*الشرط المسبق للعرض*) من مستند العرض هذا.

If at the time you receive this Offer Document, and prior to providing your Acceptance, you have sold all your shares in EIB, then you should immediately hand this Offer Document to the person to whom the shares have been sold, or to the person authorised by EIB or DFM or any other agent through whom the sale was made to effect the sale or transfer in favour of the person to whom the shares have been sold.

إذا قمت، في وقت استلامك مستند العرض هذا وقبل تقديم نموذج القبول والتحويل الخاص بك، ببيع جميع أسهمك في مصرف الإمارات الإسلامي، يجب عليك على الفور تسليم مستند العرض هذا إلى الشخص الذي تم بيع الأسهم له، أو إلى الشخص المفوّض من جانب مصرف الإمارات الإسلامي أو سوق دبي المالي أو أي وكيل آخر تم البيع من خلاله لإنفاذ عملية البيع أو التحويل لصالح الشخص الذي تم بيع الأسهم له.

If you have sold only part or otherwise transferred only part of your shares in EIB, you should retain this Offer Document.

وإذا كنت قد قمت ببيع جزء فقط من أسهمك في مصرف الإمارات الإسلامي أو تحويله بخلاف ذلك، فيجب عليك الاحتفاظ بمستند العرض هذا.

OVERSEAS EIB SHAREHOLDERS

المساهمون الأجانب في مصرف الإمارات الإسلامي

This Offer Document has been prepared in compliance with applicable laws and regulations of the UAE (among others, the provisions of the M&A Rules and the M&A Technical Rules). Therefore, the information disclosed may not be the same as that which would have been disclosed if this Offer Document had been prepared in accordance with the laws and/or regulations of jurisdictions outside the UAE. The Offer is being made in relation to securities of a UAE company and you should be aware that this Offer Document and any other documents relating to the Offer have been or will be prepared in accordance with UAE disclosure requirements, format and style, all of which may differ from those applicable in other jurisdictions.

تم إعداد وثيقة العرض هذه بما يتوافق مع القوانين واللوائح المعمول بها في دولة الإمارات العربية المتحدة (من بينها أحكام قواعد الاندماج والاستحواذ والقواعد الفنية للاندماج والاستحواذ). لذلك، قد تختلف المعلومات المفصح عنها عما كان سيتم الإفصاح عنه لو تم إعداد هذه الوثيقة وفقًا لقوانين أو لوائح في ولايات قضائية خارج دولة الإمارات. يتم تقديم العرض فيما يتعلق بأوراق مالية لشركة إماراتية، ويجب أن تكون على علم بأن هذه الوثيقة وأي مستندات أخرى متعلقة بالعرض قد تم إعدادها أو سيتم إعدادها بما يتماشى مع متطلبات الإفصاح والصيغ والأسلوب المعتمد في دولة الإمارات، والتي قد تختلف عن المتطلبات المطبقة في ولايات قضائية أخرى.

This Offer to EIB Shareholders is not being made, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and the Offer is not capable of acceptance from or within a Restricted Jurisdiction. Accordingly, copies of this Offer Document, the Acceptance and Transfer Form and any other accompanying document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this Offer Document, the Acceptance and Transfer

لا يتم تقديم هذا العرض المقدم إلى مساهمي مصرف الإمارات الإسلامي، بشكل مباشر أو غير مباشر، في أو إلى أو من أي ولاية قضائية مقيدة، حيث يكون القيام بذلك انتهاكًا للقوانين السارية في تلك الولاية، ولا يمكن قبول العرض من أو داخل ولاية قضائية مقيدة. ووفقًا لذلك، لا يتم إرسال نسخ من وثيقة العرض هذه أو نموذج القبول والنقل أو أي مستندات مرافقة أخرى، ولا يجوز إرسالها أو توزيعها أو نقلها، بشكل مباشر أو غير مباشر، عبر البريد أو بأي وسيلة أخرى في أو إلى أو من ولاية قضائية مقيدة، حيث يُعتبر القيام بذلك انتهاكًا للقوانين السارية في تلك الولاية. ويجب على الأشخاص الذين يتلقون هذه الوثيقة أو نموذج القبول والنقل أو أي مستندات مرافقة أخرى (بما في ذلك الأمناء والوكلاء والأوصياء) عدم إرسالها

Form and any other accompanying document (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offer. The availability of the Offer to EIB Shareholders who are not resident in the UAE may be affected by the laws of the relevant jurisdictions in which they are resident. All EIB Shareholders wishing to accept the Offer must satisfy themselves as to the due observance of the laws in the jurisdictions relevant to them, including the receipt of any necessary governmental consent or the payment of any taxes due.

أو توزيعها أو نقلها بأي وسيلة في أو إلى أو من تلك الولايات القضائية، حيث يمكن أن يؤدي ذلك إلى إبطال أي قبول مزعوم للعرض. وقد تتأثر إمكانية قبول العرض من قبل مساهمي مصرف الإمارات الإسلامي غير المقيمين في دولة الإمارات العربية المتحدة بالقوانين السارية في الولايات القضائية ذات الصلة التي يقيمون فيها. كما يجب على جميع مساهمي مصرف الإمارات الإسلامي الراغبين في قبول العرض التأكد من الامتثال التام للقوانين السارية في الولايات القضائية ذات الصلة بهم، بما في ذلك الحصول على أي موافقات حكومية ضرورية أو دفع أي ضرائب مستحقة.

NO REPRESENTATIONS

No person has been authorised to provide any information or make any representation on behalf of the Offeror other than as indicated in this Offer Document. If given or made, such information or representations must not be relied on as having been authorised by EIB or any of the other advisers in connection with the Offer.

لا تمثيلات

لم يتم تفويض أي شخص لتقديم أي معلومات أو تقديم أي تمثيل نيابة عن مقدم العرض بخلاف ما هو مذكور في هذا المستند. وإذا تم تقديم أو إجراء أي معلومات أو تمثيلات، فلا يجب الاعتماد عليها على أنها تم تفويضها من قبل مصرف الإمارات الإسلامي أو أي من المستشارين الآخرين المتعلقين بالعرض.

INFORMATION PROVIDED AS AT THE DATE OF THIS OFFER DOCUMENT

The information in this Offer Document pertaining to EIB has been prepared based on publicly available information.

Statements contained in this Offer Document are made as at the date of this Offer Document, unless some other time is specified in relation to them, and the publication of this Offer Document (or any action taken pursuant to it) shall not give rise to any implication that there has been no change in the facts or affairs of EIB as set out in this Offer Document since such date. ENBD expressly disclaims any obligation to update such statements other than as required by law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise. Any new material information will be published and announced promptly as a supplement to this Offer Document in accordance with the provisions of the M&A Rules.

المعلومات المقدمة اعتبارًا من تاريخ مستند العرض هذا

تم إعداد المعلومات الواردة في هذا المستند المتعلقة بمصرف الإمارات الإسلامي استنادًا إلى المعلومات المتاحة علنًا.

البيانات الواردة في هذا المستند تُعتبر صحيحة اعتبارًا من تاريخه، ما لم يُحدد وقت آخر يتعلق بها، ولن يؤدي نشر هذا المستند (أو أي إجراء يتم اتخاذه بموجبه) إلى أي دلالة على أنه لم يحدث أي تغيير في الحقائق أو الشؤون المتعلقة بمصرف الإمارات الإسلامي كما هو موضح في هذا المستند منذ ذلك التاريخ. يصرح بنك الإمارات دبي الوطني صراحةً بعدم وجود أي التزام بتحديث هذه البيانات إلا كما هو مطلوب بموجب القانون أو قواعد أي سلطة تنظيمية مختصة، سواء نتيجة معلومات جديدة أو أحداث مستقبلية أو خلاف ذلك. سيتم نشر أي معلومات جديدة هامة والإعلان عنها على الفور كملحق لهذه الوثيقة وفقًا لأحكام قواعد الاندماج والاستحواذ.

This Offer Document shall be available on EIB's website at https://www.emiratesislamic.ae/en/tender-offer by no later than 12:00PM on 27 February 2025. Except in respect of EIB's audited consolidated financial statements for the financial years ended 31 December 2022 and 31 December 2023 and 31 December 2024, neither the content of any website of EIB nor the content of any website accessible from hyperlinks on any such website is incorporated into, or forms part of, this Offer Document and no person accepts any responsibility for the contents of such websites.

سيكون هذا المستند متاح على الموقع الإلكتروني لمصرف الإمارات الإسلامي https://www.emiratesislamic.ae/ar/tender-offer في موعد أقصاه 12:00 ظهرا بتاريخ 27 فبراير2025. باستثناء ما يتعلق بالقوائم المالية لمصرف الإمارات الإسلامي للسنوات المالية المنتهية في 31 ديسمبر 2022 و31 ديسمبر 2023، و31 ديسمبر 2024، ولا يعد محتوى أي موقع إلكتروني لمصرف الإمارات الإسلامي أو محتوى أي موقع إلكتروني يمكن الدخول إليه عبر رابط من هذا الموقع جزءاً أو مشمولًا في مستند العرض هذا ولا يتحمل أي شخص المسؤولية عن محتويات هذه المواقع.

LANGUAGE

اللغة

This Offer Document has been prepared in both English and Arabic. The English is an unofficial English translation of the formal Offer Document published in the Arabic language. No reliance should be placed on this English translation, which may not entirely reflect the official Arabic language Offer Document.

تم إعداد مستند العرض هذا باللغتين الإنجليزية والعربية. اللغة الإنجليزية هي ترجمة إنجليزية غير رسمية لمستند العرض الرسمي المنشورة باللغة العربية. ولا ينبغي الاعتماد على الترجمة الإنجليزية، والتي قد لا تعكس بشكل كامل مستند العرض الرسمي الصادر باللغة العربية.

FORWARD LOOKING STATEMENTS

البيانات التطلعية

This Offer Document contains words or phrases such as 'will', 'aim', 'expect', 'anticipate', 'forecast', 'estimate', 'intend', 'future', 'objective', 'project', 'should', and similar expressions or variations of such expressions which are "forward-looking statements". Such forward-looking statements are based on assumptions and should not be construed as being indicative of the actual events which will occur or a guarantee of future performance.

يحتوي مستند العرض هذا على كلمات أو عبارات مثل "سوف" و"يهدف إلى" و"يتوقع" و"يتنبأ" و"يستشرف" و"يقدر" و"يعتزم" و"مستقبل" و"هدف" و"مشروع" و"ينبغي" وتعبيرات مماثلة أو اشتقاقات لهذه التعبيرات والتي تُعتبر "بيانات تطلعية". تستند هذه العبارات التطلعية إلى الافتراضات وينبغي عدم تفسيرها على أنها دلالة على الأحداث الفعلية التي سوف تحدث أو ضمان لأداء مستقبلي.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

عرض المعلومات المالية وغيرها من المعلومات

EIB's audited consolidated financial statements for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 are prepared in accordance with IFRS. Save where expressly stated otherwise, financial information incorporated by reference into this Offer Document as set out in section 5 (*EIB's Financial Statements*) of this Offer Document has not been independently verified by the Offeror. Save as disclosed otherwise, all financial information is set out in AED.

تم إعداد القوائم المالية المعتمدة المجمعة لمصرف الإمارات الإسلامي عن السنوات الثلاث المنتهية في 31 ديسمبر2022 و31 ديسمبر 2023 و31 ديسمبر 2024 وفقاً للمعايير الدولية بإعداد التقارير المالية. ومن الجدير بالذكر أن البيانات المالية المضمنة بالإشارة في مستند العرض هذا على النحو الوارد في القسم 5 (*القوائم المالية لمصرف الإمارات الإسلامي*) لم يتم التحقق منها بشكل مستقل من قبل مقدم العرض. كما أن جميع المعلومات واردة بالدرهم الإماراتي باستثناء ما أفصح عنه خلافاً لذلك.

NO PROFIT (OR LOSS) FORECASTS OR ESTIMATES

No statement in this Offer Document is intended as a profit (or loss) forecast or profit (or loss) estimate and no statement in this Offer Document should be interpreted to mean that earnings or earnings per EIB Share for the current or future financial years would necessarily match or exceed the historical published earnings or earning per EIB Share or to mean that EIB's earnings in the first twelve (12) months following the Offer, or in any subsequent period, would necessarily match or be greater than those of EIB for the relevant preceding financial period or any other period.

ROUNDING

Certain figures included in this Offer Document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

DEFINITIONS

Certain words and terms used in this Offer Document are defined in section 6 (*Glossary*) of this Offer Document.

DATES AND TIME

All references to dates and times shown in this Offer Document are to the Gregorian calendar and UAE time, respectively, unless otherwise stated.

CONTENTS

لا توجد توقعات أو تقديرات للربح (أو الخسارة)

لا توجد أية بيانات في مستند العرض هذا يمكن أن تُحمل على أنها توقعًا أو تقديرًا للربح (أو الخسارة) ولا ينبغي تفسير أي بيانات في هذا المستند على أنها تعني أن الأرباح أو الأرباح لكل سهم من أسهم مصرف الإمارات الإسلامي عن السنة المالية الحالية أو السنوات المالية المستقبلية ستماثل أو تتجاوز بالضرورة الأرباح أو الأرباح لكل سهم من أسهم مصرف الإمارات الإسلامي السابقة المعلنة، أو على أنها تعني أن أرباح مصرف الإمارات الإسلامي في أول 12 شهرًا تالية للعرض، أو في أي فترة لاحقة، ستماثل أو تتجاوز بالضرورة أرباح مصرف الإمارات الإسلامي عن الفترة المالية السابقة ذات الصلة أو أي فترة أخرى.

التقريب

تم تطبيق تعديلات تقريبية على بعض الأرقام الواردة في هذا المستند. وبناءً عليه، قد تختلف الأرقام المعروضة لنفس الفئة المقدمة في جداول مختلفة بشكل طفيف، وقد لا تكون الأرقام المعروضة كإجمالي في بعض الجداول ناتج جمع حسابي للأرقام التي تسبقها.

التعريفات

تم تعريف بعض الكلمات والمصطلحات المستخدمة في هذا المستند في القسم 6 (المعجم) من مستند العرض هذا.

التواريخ والوقت

تشير التواريخ والتوقيتات الواردة في مستند العرض هذا إلى التقويم الميلادي والتوقيت المحلي لدولة الإمارات العربية المتحدة، على التوالي، ما لم يُنص على خلاف ذلك.

المحتويات

1. EXPECTED TIMETABLE OF PRINCIPAL EVENTS

1. الجدول الزمني المتوقع للأحداث الرئيسية

The following dates are indicative only and will depend, among other things, on whether (and the dates on which) the Condition Precedent is satisfied.

تُعد التواريخ التالية إرشادية فقط وستعتمد، من بين أمور أخرى، على ما إذا كان قد تم استيفاء الشرط المسبق (والتواريخ التي يتم فيها ذلك) .

Event	Time and/or Date	الحدث	التوقيت و/أو التاريخ
Notification of Mandatory Offer and Acquisition	25 February 2025	اشعار العرض الالزامي والاستحواذ	25 فبراير2025
Publication of the Offer Document	27 February 2025	نشر مستند العرض	27 فبراير2025
Publication of the EIB Offeree Circular	By 12 March 2025	نشر النشرة الخاصة بالعرض للمساهمين في مصرف الإمارات الإسلامي	قبل تاريخ 12 مارس 2025
Offer Closing Date	27 March 2025	تاريخ إغلاق العرض	27 مارس2025
Announcement of Acceptances of Offer and Offer to be declared "unconditional in all respects"	28 March 2025	إعلان قبول العرض واعتباره "غير مشروط من جميع الجوانب"	28 مارس 2025
Settlement of consideration and lodgement of broker forms	Within 3 days after the Unconditional Date	تسوية المقابل وتقديم نماذج السمسرة	في غضون 3 أيام بعد التاريخ غير المشروط
Dispatch of Mandatory Acquisition Notices to all remaining shareholders	31 March 2025	إرسال إشعارات الاستحواذ الإلزامي إلى جميع المساهمين المتبقيين	31 مارس 2025
End of mandatory acquisition period	30 May 2025	انتهاء مدة الاستحواذ الإلزامي	30 مايو 2025
All acquired EIB Shares to be re-registered in the name of the Offeror		إعادة تسجيل جميع أسهم مصرف الإمارات الإسلامي المكتسبة باسم العارض	

By no later than 6 June 2025

في تاريخ لا يتجاوز 6 يونيو 2025

Notes:

ملاحظات:

(1) EIB Shareholders should note that the Offer will not be capable for further Acceptances once it is declared unconditional in all respects.

(1) يجب أن يلاحظ مساهمو مصرف الإمارات الإسلامي أنه لن يكون من الممكن قبول العرض بعد الإعلان عن أنه غير مشروط من جميع النواحي.

If you have any questions relating to the procedure for acceptance of the Offer, please contact the Receiving Agent on +971 (4) 316 0050 between 9:00AM and 5:00PM from Monday to Friday.

إذا كانت لديك أية أسئلة تتعلق بإجراءات قبول العرض، فيرجى الاتصال بوكيل الاستلام على الرقم +971 (4) 316 0050 بين الساعة 9:00 صباحا والساعة 5:00 مساء من يوم الاثنين الى الجمعة.

2. THE OFFER

.2 العرض

The Offeror refers to the Notification of Mandatory Offer and Acquisition dated 25 February 2025 whereby the EIB Board of Directors were notified of the Offeror's mandatory conditional cash offer to you for the shares you hold in EIB in return for the payment in cash of AED 11.95 per EIB Share you hold.

يُشير مقدم العرض إلى اشعار العرض الالزامي والاستحواذ المؤرخ في تاريخ 25 فبراير2025 الذي تم بموجبها إخطار مجلس إدارة مصرف الإمارات الإسلامي بالعرض النقدي الإلزامي المشروط الخاص بمقدم العرض مقابل الأسهم التي تمتلكها في مصرف الإمارات الإسلامي مقابل الدفع نقدًا بمبلغ 11.95 درهم اماراتي لكل سهم تملكه في مصرف الإمارات الإسلامي.

The details of the Offer are set out below.

فيما يلي تفاصيل العرض.

2.1 SECURITIES FOR WHICH THE OFFER IS MADE

1-2 الأوراق المالية التي يتم تقديم العرض بشأنها

This is a conditional mandatory cash offer to acquire EIB Shares that comprise no less than 5,847,984 EIB Shares that (together with the Ordinary Shares owned by the Offeror) represent 100% of the Ordinary Shares, of a nominal value of AED 1.00 each.

هذا عرض نقدي إلزامي مشروط للاستحواذ على أسهم مصرف الإمارات الإسلامي (EIB) التي لا تقل عن 5,847,984 سهمًا من أسهم مصرف الإمارات الإسلامي، والتي تمثل (مع الأسهم العادية المملوكة من قبل مقدم العرض) نسبة 100% من الأسهم العادية ذات القيمة الاسمية البالغة 1.00 درهم إماراتي لكل سهم.

Pursuant to the Commercial Companies Law and the Articles of Association, all Ordinary Shares issued by EIB confer equal rights and assume identical liabilities on their holders, ensuring that these shares are treated *pari passu*. Each Ordinary Share carries the same entitlement to dividends, voting rights at general assemblies, and rights to EIB's assets upon dissolution. No EIB Shareholder is given preferential treatment over another in terms of profit distribution, decision-making participation, or claims in the event of liquidation. Shareholders are only liable to the extent of their

وفقًا لقانون الشركات التجارية والنظام الأساسي، فإن جميع الأسهم العادية الصادرة عن مصرف الإمارات الإسلامي تمنح حقوقًا متساوية وتفرض التزامات متطابقة على حامليها، مما يضمن معاملة هذه الأسهم بالتساوي. يتمتع كل سهم عادي بنفس الحق في الأرباح، وحقوق التصويت في الجمعيات العامة، والحقوق في أصول البنك في حالة التصفية. ولا يتمتع أي مساهم في مصرف الإمارات الإسلامي بمعاملة تفضيلية على آخر فيما يتعلق بتوزيع الأرباح أو المشاركة في اتخاذ القرارات أو المطالبات في حالة التصفية. ويكون المساهمون مسؤولين فقط بقدر مشاركتهم والأسهم التي يمتلكونها في رأس المال المصدر لمصرف الإمارات الإسلامي.

participation and the shares they hold in the issued share capital of EIB.

For a summary of the rights and liabilities attaching to the Ordinary Shares, please refer to the Articles of Association available on the DFM website: https://www.dfm.ae/the-exchange/market-information/company/EIB/profile.

لمزيد من المعلومات حول الحقوق والالتزامات المرتبطة بالأسهم العادية، يُرجى الرجوع إلى النظام الأساسي المتوفر على موقع سوق دبي المالي: https://www.dfm.ae/the-exchange/market-information/company/EIB/profile.

The Offer, if completed, will result in the Offeror becoming the legal owner of up to all of the acquired EIB Shares, together with all rights and interests associated with such ownership, including entitlement to profits.

سيؤدي العرض، في حال إتمامه، إلى أن يصبح مقدم العرض المالك القانوني لما يصل إلى جميع أسهم مصرف الإمارات الإسلامي المُستحوذ عليها إلى جانب جميع الحقوق والمصالح المرتبطة بهذه الملكية، بما في ذلك الحق في الحصول على الأرباح.

Following completion of the Offer, the Offeror intends to notify the SCA that it will exercise its right under Article (11) of the M&A Rules, Article 299(2) of the Commercial Companies Law and Article (14 bis) (as proposed) of the Articles of Association to mandatorily acquire all EIB Shares held by EIB Shareholders who have not accepted the Offer in order to attain 100% ownership of the entire issued and paid up share capital of EIB.

عقب إتمام العرض، يعتزم مقدم العرض إخطار هيئة الأوراق المالية والسلع (SCA) بأنه سيقوم بممارسة حقه بموجب المادة (11) من قواعد الاندماج والاستحواذ، والمادة 299(2) من قانون الشركات التجارية، والمادة (14 مكرر) (كما هو مقترح) من النظام الأساسي، للاستحواذ الإلزامي على جميع أسهم مصرف الإمارات الإسلامي (EIB) التي يمتلكها المساهمون الذين لم يقبلوا العرض، وذلك بهدف تحقيق ملكية كاملة بنسبة 100% لكامل رأس المال المصدر والمدفوع لمصرف الإمارات الإسلامي.

The EIB Shares shall be acquired by the Offeror under the Offer on the basis that the EIB Shares are paid up and free from all liens, charges, equities, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights now and hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of value (whether by reduction of share capital or share premium account or otherwise) made, on or after the date of this Offer Document.

سيقوم مقدم العرض بالاستحواذ على أسهم مصرف الإمارات الإسلامي وفقاً لمستند العرض بناءً على أن أسهم مصرف الإمارات الإسلامي مدفوعة بالكامل وخالية من أي رهونات أو التزامات أو رسوم أو خيارات أو حقوق أولوية أو حقوق لطرف ثالث أو التزامات أخرى مهما كان نوعها، وعلى أنه سيقوم بالاستحواذ على أسهم شركة داماك مع جميع الحقوق الحالية وفيما بعد المرفقة بها أو المستحقة لها، بما في ذلك، على سبيل المثال لا الحصر، حقوق التصويت والحق في تلقي والاحتفاظ بالكامل توزيعات الأرباح والتوزيعات الأخرى (إن وجدت) المُعلنة أو المُدرجة أو المدفوعة أو عائد آخر للقيمة (سواء عن طريق تخفيض رأس المال أو حساب علاوة الأسهم أو غير ذلك) يتم إجراؤه في أو بعد تاريخ مستند العرض هذا.

2.2 THE OFFEREE

2-2 متلقي العرض

EIB was established on 4 October 1975 as a public joint stock limited company in the Emirate of Dubai pursuant to Emiri Decree dated 4 October 1975 (as amended by Emiri Decree dated 3 April 1976) issued by the ruler of Dubai under the name of National Bank of the Middle East. EIB's legal status

تم تأسيس مصرف الإمارات الإسلامي (EIB) في 4 أكتوبر 1975 كشركة مساهمة عامة محدودة في إمارة دبي بموجب مرسوم أميري بتاريخ 4 أكتوبر 1975 (كما تم تعديله بالمرسوم الأميري بتاريخ 3 أبريل 1976) الصادر عن حاكم دبي تحت اسم "البنك الوطني للشرق الأوسط". تم تعديل

was changed to a public joint stock company on 18 July 1995. EIB then became Emirates Islamic Bank P.J.S.C. after obtaining the approval of the competent authority and subsequently received its commercial licence (no. 107585) from the Department of Economic Development in Dubai.

الوضع القانوني للبنك إلى شركة مساهمة عامة في 18 يوليو 1995. لاحقًا، أصبح البنك يُعرف باسم مصرف الإمارات الإسلامي ش.م.ع. بعد الحصول على موافقة السلطة المختصة، وحصل بعد ذلك على الرخصة التجارية (رقم 107585) من دائرة التنمية الاقتصادية في دبي.

EIB was listed on the DFM on 20 May 2005 and now has an issued and paid up share capital of AED 5,430,421,875 divided into 5,430,421,875 ordinary shares with a nominal value of AED 1.00 each.

تم إدراج مصرف الإمارات الإسلامي في سوق دبي المالي في 20 مايو 2005 ويمتلك الأن رأس مال صادر ومدفوع بقيمة 5,430,421,875 درهم إماراتي مقسّم إلى 5,430,421,875 سهمًا عاديًا بقيمة اسمية قدرها 1.00 درهم إماراتي لكل سهم.

EIB (DFM: EIB), part of the ENBD group, is a leading Islamic financial institution in the UAE. EIB has established itself as a major player in the highly competitive financial services sector in the UAE. As of 31 December 2024, EIB has total equity of AED 14.3 billion, total assets of AED 111.1 billion and total operating income of AED 5.36 billion.

مصرف الإمارات الإسلامي (DFM: EIB)، وهو جزء من مجموعة بنك الإمارات دبي الوطني (ENBD) ، ويُعد من المؤسسات المالية الإسلامية الرائدة في دولة الإمارات العربية المتحدة. وقد رسخ البنك مكانته كلاعب رئيسي في قطاع الخدمات المالية التنافسي في الدولة. اعتبارًا من 31 ديسمبر 2024، بلغ إجمالي حقوق المساهمين للبنك 14.3 مليار درهم، وإجمالي الأصول 111.1 مليار درهم، وإجمالي الدخل التشغيلي 5.36 مليار درهم.

EIB offers a comprehensive range of Shari'ah-compliant products and services across the Personal, Business and Corporate banking spectrum with a network of 40 branches and 226 ATMs/CDMs across the UAE. In the fast-growing area of online and mobile banking, the bank is an innovator, being the first Islamic bank in the UAE to launch a mobile banking app and offer Apple Pay, as well as being the first Islamic bank in the world to launch Chat Banking services for customers via WhatsApp.

يقدم مصرف الإمارات الإسلامي مجموعة شاملة من المنتجات والخدمات المتوافقة مع أحكام الشريعة الإسلامية عبر قطاعات الخدمات المصرفية الشخصية والتجارية والشركات، وذلك من خلال شبكة تضم 40 فرعًا و226 جهاز صراف آلي/إيداع نقدي في جميع أنحاء الإمارات. وفي مجال الخدمات المصرفية عبر الإنترنت والهاتف المحمول، يُعد البنك مبتكرًا، حيث كان أول بنك إسلامي في الإمارات يُطلق تطبيقًا مصرفيًا للهواتف المحمولة ويُوفر خدمة Apple Pay ، وأيضًا أول بنك إسلامي في العالم يُطلق خدمات المحادثة المصرفية للعملاء عبر تطبيق WhatsApp.

EIB has consistently received local and international awards, in recognition of its strong record of performance and innovation in banking. EIB was recognised as 'Best Overall Islamic Bank' and 'Most Innovative Islamic Bank' at the Islamic Finance News Awards 2024. The bank was also named the 'Most Innovative Islamic Bank' at the prestigious Euromoney Islamic Finance Awards 2024.

حصل مصرف الإمارات الإسلامي على جوائز محلية ودولية بشكل مستمر تقديرًا لسجله القوي في الأداء والابتكار في القطاع المصرفي. تم تكريم البنك بجائزتي "أفضل بنك إسلامي شامل" و"أكثر بنك إسلامي ابتكارًا" في حفل جوائز Islamic Finance News Awards لعام 2024. كما حصل البنك على لقب "أكثر بنك إسلامي ابتكارًا" في جوائز Euromoney Islamic Finance Awards المرموقة لعام 2024.

As part of its commitment to the UAE community, the Emirates Islamic Charity Fund provides financial aid to those in need, with a focus on food, shelter, health, education and social welfare contributions.

كجزء من التزامه تجاه مجتمع دولة الإمارات العربية المتحدة، يقدم صندوق مصرف الإمارات الإسلامي الخيري مساعدات مالية للمحتاجين، مع التركيز على الغذاء والمأوى والصحة والتعليم والمساهمات في الرفاه الاجتماعي.

For information about the financial performance of EIB, please see section 5 (*EIB's Financial Statements*) for further details.

لمزيد من المعلومات حول الأداء المالي للبنك، يُرجى الرجوع إلى القسم 5 (*البيانات المالية لمصرف الإمارات الإسلامي*) للحصول على تفاصيل إضافية.

2.3 THE OFFEROR

3-2 مقدم العرض

ENBD was incorporated and registered in the UAE as a Public Joint Stock Company on 16 July 2007 with registration number 1013450, under the Commercial Companies Law. ENBD is a publicly listed company whose shares are listed on the DFM.

تم تأسيس وتسجيل بنك الإمارات دبي الوطني (ENBD) في دولة الإمارات العربية المتحدة كشركة مساهمة عامة في 16 يوليو 2007، برقم تسجيل 1013450، وفقًا لقانون الشركات التجارية. بنك الإمارات دبي الوطني هو شركة مدرجة علنًا، وأسهمه مُدرجة في سوق دبي المالي (DFM) .

Investment Corporation of Dubai ("**ICD**") holds 40.92 per cent. and DH 7 LLC, a wholly-owned subsidiary of Dubai Holding (LLC) ("**Dubai Holding Company**"), holds 14.84 per cent. of ENBD's share capital. Each of ICD and Dubai Holding Company is wholly-owned by the Government of Dubai. However, the Government of Dubai does not explicitly or implicitly guarantee the financial obligations of ENBD nor does it, like any other shareholder (acting through ICD), have any legal obligation to provide any support or additional funding for any of ENBD's future operations.

تمتلك مؤسسة دبي للاستثمارات الحكومية ("**ICD**") نسبة 40.92%، بينما تمتلك DH 7 LLC، وهي شركة تابعة بالكامل لشركة دبي القابضة (LLC) ("**شركة دبي القابضة**")، نسبة 14.84% من رأس مال بنك الإمارات دبي الوطني. تُعد كل من مؤسسة دبي للاستثمارات الحكومية وشركة دبي القابضة مملوكتين بالكامل لحكومة دبي. ومع ذلك، فإن حكومة دبي لا تضمن صراحةً أو ضمنًا الالتزامات المالية لبنك الإمارات دبي الوطني، كما أنها ليست، مثل أي مساهم آخر (من خلال مؤسسة دبي للاستثمارات الحكومية)، ملزمة قانونيًا بتقديم أي دعم أو تمويل إضافي لأي من عمليات البنك المستقبلية.

ENBD (DFM: Emirates NBD) is a leading banking group in the MENAT (Middle East, North Africa and Türkiye) region with a presence in 13 countries, serving over 9 million active customers. As at 31 December 2024, total assets were AED 996.58 billion, (equivalent to approx. USD 271.32 billion). The ENBD group has operations in the UAE, Egypt, India, Türkiye, the Kingdom of Saudi Arabia, Singapore, the United Kingdom, Austria, Germany, Russia and Bahrain and representative offices in China and Indonesia with a total of 859 branches and 4,512 ATMs / SDMs. ENBD is the leading financial services brand in the UAE with a Brand value of USD 3.89 billion.

بنك الإمارات دبي الوطني (DFM: Emirates NBD) هو مجموعة مصرفية رائدة في منطقة الشرق الأوسط وشمال إفريقيا وتركيا (MENAT) مع وجود في 13 دولة، حيث يخدم أكثر من 9 ملايين عميل نشط. واعتبارًا من 31 ديسمبر 2024، بلغ إجمالي أصول المجموعة 996.58مليار درهم إماراتي (ما يعادل حوالي 271.32مليار دولار أمريكي). تمتد عمليات مجموعة بنك الإمارات دبي الوطني في الإمارات العربية المتحدة ومصر والهند وتركيا والمملكة العربية السعودية وسنغافورة والمملكة المتحدة والنمسا وألمانيا وروسيا والبحرين، بالإضافة إلى مكاتب تمثيلية في الصين وإندونيسيا، مع إجمالي 859 فرعًا و4,512 جهاز صراف آلي/جهاز إيداع نقدي. يُعتبر بنك الإمارات دبي الوطني العلامة التجارية الرائدة للخدمات المالية في الإمارات العربية المتحدة بقيمة علامة تجارية تبلغ 3.89 مليار دولار أمريكي.

The ENBD group serves its customers (individuals, businesses, governments, and institutions) and helps them realise their financial objectives through a range of banking products and services including retail banking, corporate and institutional banking, Islamic banking, investment banking, private banking, asset management, global markets and

تقدم مجموعة بنك الإمارات دبي الوطني (ENBD) خدماتها للعملاء، سواء كانوا أفرادًا أو شركات أو حكومات أو مؤسسات، وتساعدهم في تحقيق أهدافهم المالية من خلال مجموعة واسعة من المنتجات والخدمات المصرفية، بما في ذلك الخدمات المصرفية للأفراد، والخدمات المصرفية للشركات والمؤسسات، والخدمات المصرفية الإسلامية،

treasury, and brokerage operations. The ENBD group is a key participant in the global digital banking industry with 97% of all financial transactions and requests conducted outside of its branches. The ENBD group also operates Liv, the lifestyle digital bank by ENBD, with close to half a million users, it continues to be the fastest-growing bank in the region.

والخدمات المصرفية الاستثمارية، والخدمات المصرفية الخاصة، وإدارة الأصول، والأسواق العالمية والخزانة، وعمليات الوساطة. تُعد مجموعة بنك الإمارات دبي الوطني مشاركًا رئيسيًا في صناعة الخدمات المصرفية الرقمية العالمية، حيث يتم تنفيذ 97% من جميع المعاملات والطلبات المالية خارج فروعها. كما تُدير المجموعة بنك "Liv" الرقمي بأسلوب الحياة، التابع لبنك الإمارات دبي الوطني، الذي يضم ما يقارب نصف مليون مستخدم، ويستمر في كونه البنك الأسرع نموًا في المنطقة.

ENBD contributes to the construction of a sustainable future as an active participant and supporter of the UAE's main development and sustainability initiatives, including financial wellness and the inclusion of people of determination. ENBD is committed to supporting the UAE's Year of Sustainability as Principal Banking Partner of COP28 and an early supporter to the Dubai Can sustainability initiative, a city-wide initiative aimed to reduce use of single-use plastic bottled water.

تساهم مجموعة بنك الإمارات دبي الوطني في بناء مستقبل مستدام من خلال مشاركتها الفعالة ودعمها للمبادرات التنموية والاستدامة الرئيسية في دولة الإمارات، بما في ذلك تعزيز الرفاه المالي ودمج أصحاب الهمم. تلتزم المجموعة بدعم "عام الاستدامة" في الإمارات العربية المتحدة بصفتها الشريك المصرفي الرئيسي لمؤتمرCOP28، كما كانت من أوائل الداعمين لمبادرة "دبي تستطيع" للاستدامة، وهي مبادرة على مستوى المدينة تهدف إلى تقليل استخدام عبوات المياه البلاستيكية ذات الاستخدام الواحد.

ENBD confirmed it has sufficient capital to fund the Offer.

أكد بنك الإمارات دبي الوطني أنه يمتلك رأس المال الكافي لتمويل العرض.

2.4 THE INTENTIONS, PLANS AND PURPOSE OF THE OFFER

4-2 نوايا وخطط وأهداف العرض

The Offer will enable ENBD to acquire and, following completion of such acquisition, take steps to cancel the listing of the shares of EIB. The Offer will also provide EIB Shareholders liquidity for their investment in the EIB Shares and will allow them to sell their EIB Shares at the Offer Price (as at the beginning of this Offer). Please refer to paragraph 4.2 for the Offeror's post-acquisition strategy.

سيمكن العرض بنك الإمارات دبي الوطني (ENBD) من الاستحواذ على أسهم مصرف الإمارات الإسلامي (EIB) وبعد انتهاء عملية الاستحواذ اتخاذ خطوات إلغاء إدراجهم. كما سيتيح العرض لمساهمي مصرف الإمارات الإسلامي توفير السيولة لاستثماراتهم في أسهم البنك، مما يمنحهم فرصة لبيع أسهمهم بسعر العرض (كما في يوم بداية هذا العرض). يُرجى الرجوع إلى الفقرة 4.2 للاطلاع على استراتيجية مقدم العرض بعد الاستحواذ.

2.5 KEY BENEFITS FOR EIB SHAREHOLDERS AND CONSIDERATION FOR THE OFFER

5-2 الفوائد الرئيسية لمساهمي مصرف الإمارات الإسلامي(EIB) والمقابل المقدم في العرض

The consideration for the Offer is the Offer Price, being AED per 11.95 EIB Share.

مقابل العرض هو سعر العرض البالغ 11.95 درهم إماراتي لكل سهم من أسهم مصرف الإمارات الإسلامي.

Assuming that all EIB Shareholders avail to the Offer, the total value of the Offer will be AED 69,883,408.8.

بافتراض أن جميع مساهمي مصرف الإمارات الإسلامي قد قبلوا العرض، ستبلغ القيمة الإجمالية للعرض 69,883,408.8 درهم إماراتي.

The Offer Price has been determined in accordance with Article 6 of the M&A Rules. Therefore, the Offer Price is not less than the higher of:

(a) the market price of the Ordinary Shares at the beginning of this Offer, being, AED 11.95;

(b) the closing price of the Ordinary Shares before the first day of the beginning of this Offer, which was AED 11.95;

(c) the average price of the Ordinary Shares during the three (3) months period preceding the beginning of this Offer, which is AED 7.799; and

(d) the highest price paid by the Offeror for acquiring any Ordinary Shares during the twelve (12) months period preceding the beginning of this Offer which is not applicable in these circumstances as the Offeror has not acquired any Ordinary Shares during this period.

EIB Shareholders should note that the Offer Price of AED 11.95 per EIB Share set out in this Offer Document is final and is not subject to further amendment, whether upwards or downwards, at any time following the publication of this Offer Document.

2.6 SHAREHOLDERS ELIGIBLE FOR THE OFFER

EIB Shareholders whose names appear in the EIB share register on the date of this Offer Document will be eligible to receive the Offer.

2.7 SETTLEMENT OF THE OFFER

On 28 March 2025 (or another date announced by the Offeror), the Offeror will announce the initial acceptance results of the Offer. Subject to the Offer being declared unconditional in all respects (which will be announced by the Offeror following satisfaction of the Condition Precedent) (the date of such announcement being the "**Unconditional Date**"), the Offeror will within three (3) days after the Unconditional Date settle the cash consideration

تم تحديد سعر العرض وفقا لنص المادة 6 من قواعد الاستحواذ والاندماج. وعليه، فان سعر العرض لا يقل عن اعلى سعر مما يلي:

(أ) السعر السوقي لأسهم مصرف الإمارات الإسلامي العادية يوم بداية العرض هذا، وهو، 11.95 درهم اماراتي؛

(ب) سعر الاغلاق لأسهم مصرف الإمارات الإسلامي العادية قبل اليوم الاول لبداية العرض هذا، وهو 11.95 درهم اماراتي؛

(ج) متوسط سعر اسهم مصرف الإمارات الإسلامي العادية خلال فترة (3) اشهر السابقة لبداية العرض، وهو 7.799 درهم اماراتي؛ و

(د) اعلى سعر دفعه مقدم العرض لشراء اسهم مصرف الإمارات الإسلامي العادية خلال (12) شهرا السابقة على تقديم العرض هذا والذي لا ينطبق في هذه الظروف، حيث لم يقم مقدم العرض بالاستحواذ على أي من الأسهم العادية خلال هذه الفترة.

يجب على مساهمي مصرف الإمارات الإسلامي العلم بأن سعر العرض 11.95 درهم اماراتي لكل سهم من أسهم مصرف الإمارات الإسلامي والمبين في مستند العرض هذا هو سعر العرض النهائي ولن يخضع إلى أي تعديل سواء بزيادة أو نقصان في أي وقت بعد تاريخ نشر مستند العرض هذا.

6-2 المساهمين المؤهلين للعرض

يُعتبر مساهمي مصرف الإمارات الإسلامي الذين تظهر أسماؤهم في سجل أسهم مصرف الإمارات الإسلامي في تاريخ مستند العرض هذا مؤهلين لتلقي العرض.

7-2 تسوية العرض

في 28 مارس 2025 (أو أي تاريخ آخر يعلنه مقدم العرض) سيعلن مقدم العرض عن نتائج قبول العرض المبدئية، وشريطة الإعلان عن أن العرض غير مشروط من جميع النواحي (والذي سيتم إعلانه من قبل مقدم العرض بعد استيفاء الشرط المسبق) (يكون تاريخ هذا الإعلان هو "**التاريخ غير المشروط**")، سيقوم مقدم العرض في غضون ثلاثة أيام بعد التاريخ غير المشروط بتسوية المقابل النقدي المستحق لمساهمي مصرف الإمارات الإسلامي الذين قبلوا العرض من

due to the accepting EIB Shareholders through the relevant payment method as registered with Dubai CSD for each accepting EIB Shareholder. An EIB Shareholder may, at any time prior to the Unconditional Date, update such EIB Shareholder's payment method via the DFM eServices portal at https://www.dfm.ae/. If an EIB Shareholder has not registered a payment method with Dubai CSD, then the relevant EIB Shares will still be transferred to the Offeror and the consideration attributable to such EIB Shareholder will be held by Dubai CSD on behalf of such EIB Shareholder to be released on registration of an appropriate payment method with Dubai CSD.

خلال طريقة السداد المعنية كما هي مسجلة بشركة دبي للإيداع لكل مساهم من مساهمي مصرف الإمارات الإسلامي الذين قبلوا العرض. يجوز لمساهم مصرف الإمارات الإسلامي، في أي وقت سابق قبل التاريخ غير المشروط تحديث طريقة السداد الخاصة بمساهم مصرف الإمارات الإسلامي عبر بوابة الخدمات الإلكترونية لسوق دبي المالي على www.dfm.ae إذا لم يسجل أحد مساهمي مصرف الإمارات الإسلامي طريقة الدفع لدى شركة دبي للإيداع، فسيستمر تحويل أسهم مصرف الإمارات الإسلامي ذات الصلة إلى مقدم العرض، وسيتم الاحتفاظ بالمقابل المنسوب إلى مساهم مصرف الإمارات الإسلامي من قبل شركة دبي للإيداع نيابة عن مساهم شركة داماك، هذا ليتم الإفراج عنه عند التسجيل لطريقة دفع مناسبة مع شركة دبي للإيداع.

No other modes of payment shall be effected and all settlement shall be net of any bank or related charges. All charges such as wire transfer charges, processing fees, collection charges, foreign currency conversion charges, managers cheque charges, and special clearing changes shall be borne by the EIB Shareholder.

لن يتم تنفيذ أي طرق دفع أخرى وستكون جميع التسويات صافية من أي رسوم بنكية أو مصاريف ذات صلة. يتحمل مساهم مصرف الإمارات الإسلامي جميع الرسوم مثل رسوم التحويل الإلكتروني ورسوم المعالجة ورسوم التحصيل ورسوم تحويل العملات الأجنبية ورسوم شيكات المصدقة وتغييرات المقاصة الخاصة.

2.8 FINANCING OF THE OFFER AND CASH CONFIRMATION

8-2 تمويل العرض والتأكيد النقدي

The cash consideration payable under the Offer will be financed through financial resources available to the Offeror.

سوف يتم تمويل المقابل النقدي مستحق الدفع بموجب العرض بالكامل من خلال الموارد المالية المتاحة لمقدم العرض.

The Offeror has confirmed it has sufficient capital to fund the Offer, indicating that the Offeror has the necessary financial resources to implement the full cash consideration of the Offer.

أكد مقدم العرض أنه يمتلك رأس المال الكافي لتمويل العرض، والذي يثبت أن مقدم العرض يمتلك الموارد المالية الكافية لتنفيذ والوفاء بكامل المقابل النقدي للعرض.

2.9 CONDITION PRECEDENT TO THE OFFER

9-2 الشرط المسبق للعرض

The implementation of the Offer will be subject to the fulfilment of the following Condition Precedent. For the avoidance of doubt, the Offer shall not become unconditional unless the following condition precedent is fulfilled by the Offeror:

سيخضع تنفيذ العرض لاستيفاء للشرط المسبق التالي. ولتجنب الشك، لن يصبح العرض غير مشروط ما لم يتم استيفاء الشرط المسبق الوارد أدناه أو التنازل عنه من جانب مقدم العرض:

all regulatory consents, approvals or non-objections required for undertaking the Offer having been obtained by the Offeror, including any consents or approval required from the Central Bank of the UAE, the SCA and the DFM

تم الحصول على جميع الموافقات أو التصاريح أو عدم الاعتراضات التنظيمية المطلوبة لتنفيذ العرض من قبل مقدم العرض، بما في ذلك أي موافقات أو تصاريح مطلوبة من مصرف الإمارات المركزي، وهيئة الأوراق المالية والسلع (SCA)، وسوق دبي المالي(DFM) (the "**Condition Precedent**").

("الشرط المسبق").

EIB Shareholders and/or potential investors of EIB should note that the Offer is subject to the satisfaction of the Condition Precedent and conditional upon the Offer becoming, or being declared, unconditional in all respects. Accordingly, the Offer may or may not become unconditional. Shareholders and/ or potential investors of EIB should, therefore, exercise caution when dealing in the securities of EIB. Persons who are in doubt as to the action they should take should consult their licensed professional advisers.

يجب على مساهمي مصرف الإمارات الإسلامي و/أو المستثمرين المحتملين في مصرف الإمارات الإسلامي ملاحظة أن العرض خاضعٌ لاستيفاء الشرط المسبق ومشروطٌ بأن يصبح العرض غير مشروط من جميع النواحي. وبناءً على ذلك، قد يصبح العرض أو لا يصبح غير مشروط. لذا يجب على المساهمين و/أو المستثمرين المحتملين في مصرف الإمارات الإسلامي توخي الحذر عند التداول في الأوراق المالية لمصرف الإمارات الإسلامي. ويجب على الأشخاص الذين يساورهم الشك بشأن الإجراء الذي ينبغي عليهم اتخاذه الحصول على مشورة من مستشارين مهنيين مرخصين.

2.10 MANDATORY ACQUISITION AND CANCELLATION OF LISTING

10-2 الاستحواذ الإلزامي والإلغاء من الإدراج

Following completion of the Offer, the Offeror intends to notify the SCA that it will exercise its right under Article (11) of the M&A Rules, Article 299(2) of the Commercial Companies Law and Article (14 bis) (as proposed) of the Articles of Association to mandatorily acquire all EIB Shares held by EIB Shareholders who have not accepted the Offer in order to attain 100% ownership of the entire issued and paid up share capital of EIB.

بعد إتمام العرض، يعتزم مقدم العرض إشعار هيئة الأوراق المالية والسلع (SCA) بأنه سيمارس حقوقه بموجب المادة (11) من قواعد الاندماج والاستحواذ، والمادة 299(2) من قانون الشركات التجارية، والمادة (14 bis) (كما هو مقترح) من النظام الأساسي للاستحواذ الإلزامي لجميع أسهم مصرف الإمارات الإسلامي (EIB) التي يملكها المساهمون الذين لم يقبلوا العرض، وذلك بهدف الحصول على ملكية 100% من إجمالي رأس المال المصدر والمدفوع لمصرف الإمارات الإسلامي.

The price per EIB Share that will be paid pursuant to the Mandatory Acquisition will be the same price paid under the Offer (AED 11.95 per EIB Share).

سيكون السعر الذي سيتم دفعه لكل سهم من أسهم مصرف الإمارات الإسلامي بموجب الاستحواذ الإلزامي هو نفس السعر الذي تم دفعه بموجب العرض (11.95 درهم إماراتي لكل سهم من أسهم مصرف الإمارات الإسلامي).

If exercised, the Mandatory Acquisition will apply to all EIB Shares, whether pledged or subject to any other form of security or attachment (such as court order). It is the responsibility of the relevant EIB Shareholder to coordinate with any third party holding or benefitting from such pledge, security or form of attachment as to the consequences of the EIB Shares held by such person being transferred to the Offeror pursuant to the Mandatory Acquisition and the Offeror will accordingly not be responsible for the consequences of the Mandatory Acquisition on any EIB Shareholder.

إذا تم تفعيل الاستحواذ الإلزامي، فسيشمل ذلك جميع أسهم مصرف الإمارات الإسلامي، سواء كانت مرهونة أو خاضعة لأي نوع آخر من الضمانات أو الحجز (مثل حكم قضائي). ويقع على عاتق المساهم المعني التنسيق مع أي طرف ثالث يحتفظ أو يستفيد من مثل هذه الرهن أو الضمان أو شكل الحجز حول عواقب تحويل أسهم مصرف الإمارات الإسلامي التي يمتلكها هذا الشخص إلى مقدم العرض بموجب الاستحواذ الإلزامي، ولن يكون مقدم العرض مسؤولاً عن عواقب الاستحواذ الإلزامي على أي مساهم في مصرف الإمارات الإسلامي.

At the same time, it is expected that EIB will apply for a suspension of trading in EIB Shares. In order to exercise the Mandatory Acquisition, the Offeror

في نفس الوقت، من المتوقع أن يتقدم مصرف الإمارات الإسلامي بطلب لتعليق التداول في أسهم مصرف الإمارات الإسلامي. من أجل ممارسة الاستحواذ الإلزامي، يعتزم مقدم

intends to dispatch the Mandatory Acquisition Notices to all remaining EIB Shareholders who have not accepted this Offer, giving notice of the Offeror's intention to exercise its rights under Article (11) of the M&A Rules, Article 299(2) of the Commercial Companies Law and Article (14 bis) (as proposed) of the Articles of Association, to compulsorily acquire all remaining EIB Shares.

العرض إرسال إشعارات الاستحواذ الإلزامي إلى جميع المساهمين المتبقين في مصرف الإمارات الإسلامي الذين لم يقبلوا هذا العرض، لإعلامهم بنيّة مقدم العرض في ممارسة حقوقه بموجب المادة (11) من قواعد الاندماج والاستحواذ، والمادة 299(2) من قانون الشركات التجارية، والمادة 14 (مكرر) (كما هو مقترح) من النظام الأساسي للاستحواذ الإلزامي على جميع أسهم مصرف الإمارات الإسلامي المتبقية.

On expiry of the Mandatory Acquisition Notice Period, all remaining EIB Shares will be re-registered in the name of the Offeror in EIB's share register. Whether or not you have completed an Acceptance and Transfer Form prior to the expiry of the Mandatory Acquisition Notice Period, your EIB Shares will be re-registered in the name of the Offeror on that date.

عند انتهاء فترة إشعار الاستحواذ الإلزامي، سيتم إعادة تسجيل جميع أسهم مصرف الإمارات الإسلامي المتبقية باسم مقدم العرض في سجل أسهم مصرف الإمارات الإسلامي. سواء قمت بإتمام نموذج القبول والتحويل قبل انتهاء فترة إشعار الاستحواذ الإلزامي أم لا، فسيتم إعادة تسجيل أسهم مصرف الإمارات الإسلامي الخاصة بك باسم مقدم العرض في ذلك التاريخ.

Following the expiry of the Mandatory Acquisition Notice Period, the Offeror will settle any cash consideration due to the remaining EIB Shareholders through the relevant payment method as registered with Dubai CSD at DFM by any such remaining EIB Shareholder. However, if you do not select a payment method with Dubai CSD at DFM prior to the expiry of the Mandatory Acquisition Notice Period, you may face significant delays in receiving the price payable to you for your shares.

بعد انتهاء فترة إشعار الاستحواذ الإلزامي، سيقوم مقدم العرض بتسوية أي مقابل نقدي مستحق للمساهمين المتبقين في مصرف الإمارات الإسلامي من خلال طريقة الدفع المعتمدة لدى مركز إيداع الأوراق المالية في دبي (Dubai CSD) في سوق دبي المالي (DFM) من قبل أي من المساهمين المتبقين في مصرف الإمارات الإسلامي. ومع ذلك، إذا لم تقم بتحديد طريقة دفع مع مركز إيداع الأوراق المالية في دبي (Dubai CSD) في سوق دبي المالي (DFM) قبل انتهاء فترة إشعار الاستحواذ الإلزامي، فقد تواجه تأخيرات كبيرة في تلقي السعر المستحق لك مقابل أسهمك.

If an EIB Shareholder has not registered a payment method with Dubai CSD, then the relevant EIB Shares will still be transferred to the Offeror and the consideration attributable to such EIB Shareholder will be held by Dubai CSD on behalf of such EIB Shareholder to be release on registration of an appropriate payment method with Dubai CSD.

إذا لم يقم أحد المساهمين في مصرف الإمارات الإسلامي بتسجيل طريقة دفع مع مركز إيداع الأوراق المالية في دبي (Dubai CSD)، فسيتم تحويل أسهم مصرف الإمارات الإسلامي المعنية إلى مقدم العرض، وسيتم الاحتفاظ بالمقابل المستحق لهذا المساهم من قبل مركز إيداع الأوراق المالية في دبي (Dubai CSD) نيابة عنه حتى يتم تسجيل طريقة دفع مناسبة مع مركز الإيداع.

No other modes of payment shall be effected and all settlement shall be net of any bank or related charges. All charges such as wire transfer charges, processing fees, collection charges, foreign currency conversion charges, managers cheque charges, and special clearing changes shall be borne by the EIB Shareholder.

لن يتم تنفيذ أي طرق دفع أخرى، وسيتم تسوية جميع المدفوعات بعد خصم أي رسوم بنكية أو ذات صلة. سيتحمل المساهم في مصرف الإمارات الإسلامي جميع الرسوم مثل رسوم التحويل البنكي، ورسوم المعالجة، ورسوم التحصيل، ورسوم تحويل العملات الأجنبية، ورسوم الشيكات المصدقة، ورسوم المسح الخاصة.

The Offeror will, in due course, following the successful implementation of the Offer, and subject to the Mandatory Acquisition, commence the process of cancelling the listing of shares of EIB from DFM.

2.11 ACCEPTANCE IRREVOCABLE

Upon an EIB Shareholder submitting the completed Acceptance and Transfer Form in accordance with the process set out in this Offer Document, the Acceptance becomes irrevocable and cannot be withdrawn by that EIB Shareholder, either in whole or in part, except after the lapse of fourteen (14) days from the Offer Closing Date, being 10 April 2025, and only in the event that the Condition Precedent is not satisfied.

2.12 TAX

The tax consequences for EIB Shareholders pursuant to the transaction contemplated by the Offer depend upon the shareholders' individual circumstances. EIB Shareholders should therefore consult their own tax advisers as to the particular tax consequences on them of accepting the Offer.

2.13 RIGHTS OF THE EIB SHAREHOLDERS

All EIB Shareholders will have equal rights and liabilities arising from, or in relation to, the Offer.

All Ordinary Shares issued by EIB confer equal rights and assume identical liabilities on their holders, ensuring that these shares are treated *pari passu*. Each Ordinary Share carries the same entitlement to dividends, voting rights at general assemblies, and rights to EIB's assets upon dissolution. No EIB Shareholder is given preferential treatment over another in terms of profit distribution, decision-making participation, or claims in the event of liquidation. Shareholders are only liable to the extent of their participation and the shares they hold in the issued share capital of EIB.

Please refer to the Articles of Association for a summary of the rights and liabilities attaching to the Ordinary Shares (available here:

سيبدأ مقدم العرض، في الوقت المناسب، بعد تنفيذ العرض بنجاح، وبموجب الاستحواذ الإلزامي، في عملية إلغاء إدراج أسهم مصرف الإمارات الإسلامي من سوق دبي المالي.

2-11 القبول غير قابل للإلغاء

عند تقديم أحد مساهمي مصرف الإمارات الإسلامي نموذج القبول والتحويل المكتمل وفقًا للعملية الموضحة في مستند العرض، يصبح القبول غير قابل للسحب ولا يمكن سحبه من قبل المساهم، سواء كليًا أو جزئيًا، إلا بعد انقضاء أربعة عشر (14) يومًا من تاريخ إغلاق العرض، وهو 10 ابريل 2025، وفقط في حال عدم استيفاء الشرط المسبق.

2-12 الضرائب

تعتمد العواقب الضريبية لمساهمي مصرف الإمارات الإسلامي بموجب المعاملة المتوقعة من العرض على الظروف الفردية للمساهمين. لذلك، يجب على مساهمي مصرف الإمارات الإسلامي استشارة مستشاريهم الضريبيين بشأن العواقب الضريبية المحددة التي قد تترتب عليهم من قبول العرض.

2-13 حقوق مساهمي مصرف الإمارات الإسلامي

سيتمتع جميع مساهمي مصرف الإمارات الإسلامي بحقوق وواجبات متساوية تنشأ عن أو تتعلق بالعرض.

جميع الأسهم العادية الصادرة عن مصرف الإمارات الإسلامي تمنح نفس الحقوق وتتحمل نفس الالتزامات على حامليها، مما يضمن معاملة هذه الأسهم على *قدم المساواة*. كل سهم عادي يحمل نفس الحق في الأرباح، وحق التصويت في الجمعيات العامة، وحقوق في أصول مصرف الإمارات الإسلامي عند الحل. لا يُمنح أي مساهم في مصرف الإمارات الإسلامي معاملة تفضيلية على آخر من حيث توزيع الأرباح، والمشاركة في اتخاذ القرارات، أو المطالبات في حالة التصفية. يتحمل المساهمون المسؤولية فقط في حدود مشاركتهم والأسهم التي يمتلكونها في رأس المال المصدر لمصرف الإمارات الإسلامي .

للحصول على ملخص للحقوق والالتزامات المترتبة على الأسهم العادية، يرجى الرجوع إلى النظام الأساسي المتاح

https://www.dfm.ae/the-exchange/market-information/company/EIB/profile).

هنا:-https://www.dfm.ae/the-exchange/market-information/company/EIB/profile.

2.14 ACCURACY AND FAIRNESS STANDARDS

14-2 معايير الدقة والعدالة

The highest accuracy and fairness standards were observed in the content of this Offer Document.

تمت مراعاة أعلى معايير الدقة والعدالة في محتوى مستند العرض هذا.

3. FURTHER TERMS OF THE OFFER

3. الشروط الإضافية للعرض

3.1 ACCEPTANCE PERIOD

1-3 فترة القبول

(a) The Offer will initially be open for acceptance until 2:00PM on the Offer Closing Date. The Offeror reserves the right (other than as may be required by the SCA) at any time or from time to time to extend the Offer Period beyond that time and to make consequential changes to other dates referred to in this Offer Document and the Acceptance and Transfer Form, subject to the approval of the SCA. If the Offeror exercises such right, then it shall make an announcement stating the revised Offer Period.

(أ) سيكون العرض متاحاً للقبول بصورة مبدئية حتى الساعة 2:00 ظهرا في تاريخ إغلاق العرض. ويحتفظ مقدم العرض بالحق (بخلاف ما قد تتطلبه هيئة الأوراق المالية والسلع) في أي وقت أو من وقت لأخر بتمديد فترة العرض بعد ذلك الوقت وإجراء تغييرات تبعية على التواريخ الأخرى المشار إليها في مستند العرض ونموذج القبول والتحويل، شريطة موافقة هيئة الأوراق المالية والسلع. وإذا مارس مقدم العرض هذا الحق، فيجب عليه إصدار إعلان يوضح فترة العرض المعدلة.

(b) Following the Offer Closing Date, the Offeror may continue to receive Acceptances from EIB Shareholders who have not accepted the Offer by the Offer Closing Date.

(ب) بعد تاريخ إغلاق العرض، قد يستمر مقدم العرض في استلام نماذج القبول والتحويل من مساهمي مصرف الإمارات الإسلامي الذين لم يقبلوا العرض بحلول تاريخ إغلاق العرض.

(c) Although no revision of the Offer is contemplated, if the Offer is revised, then it shall remain open for Acceptance for a period of at least fourteen (14) days (or such other period as may be permitted by the SCA) after the date on which the Offeror publishes revised offer documentation. Except with the consent of the SCA, the Offeror may not revise the Offer or publish any revised offer documentation after 15 April 2025, or if later, the date which is fourteen (14) days before the last date on which the Offer can become unconditional.

(ج) على الرغم من عدم وجود نية في إجراء أي مراجعة للعرض، إذا تمت مراجعة العرض، فيجب أن يظل متاحاً للقبول لمدة 14 يوماً على الأقل (أو أي فترة أخرى قد تسمح بها هيئة الأوراق المالية والسلع) بعد التاريخ الذي ينشر فيه مقدم العرض مستندات العرض التي تمت مراجعتها. ولا يجوز لمقدم العرض مراجعة العرض أو نشر أي مستندات عرض مراجعة بعد15 ابريل 2025، أو بعد التاريخ الذي يكون قبل 14 يوماً من التاريخ الأخير الذي يمكن أن يصبح فيه العرض غير مشروط، إذا حدث ذلك في وقت الحق، وذلك باستثناء الحالات التي تحصل فيها على موافقة هيئة الأوراق المالية والسلع.

(d) Although no revision is contemplated, if the Offer is revised (in its original or previously revised form(s) and either in its terms or

(د) على الرغم من عدم وجود نية في إجراء أي مراجعة للعرض، إذا تمت مراجعة العرض (بصيغته

conditions or in the value or form of the consideration offered or otherwise), the benefit of the revised offer shall be made available to an EIB Shareholder who has accepted the Offer. The Offeror reserves the right to treat an executed Acceptance and Transfer Form relating to the Offer (in its original or any previously revised form(s)) which is received (or dated) after the announcement or issue of any revised offer as a valid acceptance of the revised offer.

الأصلية أو المراجعة مسبقاً أو بشروطه أو أحكامه، أو بقيمة أو شكل المقابل المعروض، أو غير ذلك)، فيجب إتاحة الاستفادة من العرض المعدل لمساهم مصرف الإمارات الإسلامي الذي قد قبل العرض. ويحتفظ مقدم العرض بالحق في معاملة أي نموذج قبول وتحويل مُبرم فيما يتعلق بالعرض (بصيغته الأصلية أو المراجعة مسبقاً) والذي تم استلامه (أو المؤرخ) بعد الإعلان عن أي عرض معدل أو إصداره باعتباره نموذج قبول ساري للعرض المعدل.

3.2 ANNOUNCEMENTS

2-3 الإعلانات

Following the Offer Closing Date, the Offeror shall make an announcement in the UAE stating the number of EIB Shares, respectively, for which acceptances of the Offer have been received.

بعد تاريخ إغلاق العرض، يجب على مقدم العرض أن يصدر إعلاناً في دولة الإمارات العربية المتحدة يوضح عدد أسهم مصرف الإمارات الإسلامي التي تم استلام نماذج قبول العرض بشأنها.

3.3 GENERAL

3-3 أحكام عامة

(a) The Offer will lapse unless the Condition Precedent set out in section 2.9 (*Condition Precedent to the Offer*) of this Offer Document has been fulfilled by midnight on 8 April 2025, or such later date as the Offeror may decide (subject to the approval of the SCA) and if the Offeror exercises such right then it shall make an announcement stating such date.

(أ) ينقضي العرض ما لم يتم استيفاء جميع الشروط المسبقة المنصوص عليها في القسم 2-9 (*الشرط المسبق للعرض*) بحلول منتصف الليل يوم 8 ابريل 2025 أو أي تاريخ لاحق يقرره مقدم العرض (رهنًا بموافقة هيئة الأوراق المالية والسلع) وإذا مارس مقدم العرض هذا الحق، فيجب أن يصدر إعلانًا يوضح هذا التاريخ.

(b) Settlement of the consideration to which any EIB Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled as against such EIB Shareholder.

(ب) تتم تسوية المقابل الذي يستحقه أي مساهم في مصرف الإمارات الإسلامي بموجب العرض بالكامل حسب شروط العرض بغض النظر عن أي رهن أو حق مقاصة أو دعوى مقابلة أو أي حق مشابه آخر قد يكون مستحقًا لمقدم العرض، أو يدعي بأنه مستحقًا له، ضد هذا المساهم في مصرف الإمارات الإسلامي.

(c) The Offer Price shall be the only amount payable by the Offeror in connection with the acceptance of this Offer. For the avoidance of doubt, the Offeror will not be responsible for any taxes, costs or expenses that an EIB Shareholder may incur in connection therewith, including, but not limited to, any costs of any advisers and/or brokers, any banks charges or any costs /

(ج) يكون سعر العرض هو المبلغ الوحيد الذي يلتزم مقدم العرض بسداده فيما يتعلق بقبول هذا العرض. لتجنب الشك، لن يكون مقدم العرض مسؤولًا عن أية ضرائب أو تكاليف أو نفقات التي قد يتحملها مساهم مصرف الإمارات الإسلامي فيما يتعلق بذلك، بما في ذلك، على سبيل المثال لا الحصر، أي تكاليف لأي مستشارين و/أو وسطاء، وأي رسوم بنكية أو أي

losses / taxes incurred in relation to the conversion of the Offer Price into a foreign currency or otherwise.

تكاليف /خسائر/ضرائب متكبدة بخصوص تحويل سعر العرض إلى عملة أجنبية أو غير ذلك.

(d) This Offer Document and all Acceptances thereof and all elections thereunder or pursuant thereto and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with applicable UAE federal law as applied in the Emirate of Dubai. The making of an Acceptance by an EIB Shareholder will constitute the making by such shareholder of the representations, warranties and agreements and the provision of the undertakings as detailed in the Acceptance and Transfer Form, their submission, in relation to all matters arising out of or in connection with the Offer and the Acceptance, to the jurisdiction of the Courts of Dubai and such EIB Shareholder's agreement that nothing shall limit the rights of the Offeror to bring any action, suit or proceeding arising out of or in connection with the Offer and acceptance in any other manner permitted by law or in any court of competent jurisdiction.

(د) يخضع مستند العرض هذا وجميع نماذج القبول الخاصة به وجميع الاختيارات التي تتم بموجبه أو وفقً بموجبه والإجراءات المتخذة أو الصادرة، أو التي تُعتبر قد اتُخذت أو صدرت، بموجب أي مما سبق للقانون الاتحادي بدولة الإمارات العربية المتحدة على النحو المعمول بها في إمارة دبي وتُفسر وفقًا له. يُمثل أي قبول مقدم من قبل أي مساهم في مصرف الإمارات الإسلامي قبول هذا المساهم للإقرارات والضمانات والاتفاقيات والتعهدات على النحو المفصل في نموذج القبول والتحويل، وقبوله بالخضوع، فيما يتعلق بجميع الأمور الناشئة عن العرض والقبول أو فيما يتعلق بهما، للاختصاص القضائي لمحاكم دبي، وموافقة ماسهم مصرف الإمارات الإسلامي على أنه لا يوجد شيء من شأنه أن يحد من حقوق مقدم العرض في رفع أي دعوى أو إثارة أي قضية أو اتخاذ أي إجراءات تقاضي تنشأ عن العرض والقبول أو فيما يتعلق بهما بأي طريقة أخرى يسمح بها القانون أو أمام أي محكمة ذات اختصاص قضائي.

(e) Any accidental omission to dispatch this Offer Document or any notice required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person.

(ه) أي سهو عرضي في إرسال هذا المستند أو أي إشعار يتعين إرساله بموجب شروط العرض إلى، أو أي فشل في استلامه من قبل، أي شخص يتم عرض العرض عليه أو يجب أن يتم عرض العرض عليه، لن يُبطل العرض بأي حال من الأحوال أو يخلق أي دلالة على أن العرض لم يتم تقديمه إلى أي شخص من هؤلاء الأشخاص.

(f) The Offer extends to any EIB Shareholders other than overseas shareholders to whom this Offer Document and any related documents, may not have been dispatched or by whom such documents may not be received and such shareholders may obtain copies of those documents at EIB's website at https://www.emiratesislamic.ae/en/tender-offer. The Offeror reserves the right to

(و) يشمل العرض أي من مساهمي مصرف الإمارات الإسلامي بخلاف المساهمين في الخارج الذين ربما لم يُرسل إليهم مستند العرض هذا وأي مستندات ذات صلة، أو الذين ربما لم يستلموا هذه المستندات، ويمكن لهؤلاء المساهمين الحصول على نسخ من هذه المستندات على الموقع الإلكتروني لمصرف الإمارات الإسلامي على https://www.emiratesislamic.ae/ar/tender-offer ويحتفظ مقدم العرض بالحق في إخطار

notify any matter in relation to this Offer, including the making of the Offer, to all or any EIB Shareholders with a registered address outside the UAE (or whom the Offeror knows to be nominees, trustees or custodians for such persons) by announcement in the UAE or paid advertisement in a daily newspaper published and circulated in the UAE, in which event such notice shall be deemed to have been sufficiently given notwithstanding any failure by an EIB Shareholder to receive such notice and all references in this Offer Document to notice, or the provision of information in writing, by the Offeror, and/or its respective agent and/or public relations consultants shall be construed accordingly.

أي أمر متعلق بهذا العرض، بما في ذلك تقديم العرض، إلى جميع مساهمي مصرف الإمارات الإسلامي أو أي منهم ممن لديهم عنوان مسجل خارج دولة الإمارات العربية المتحدة (أو إلى الأشخاص الذين يعلم مقدم العرض بأنهم نواب أو أمناء حفظ أو أوصياء عن هؤلاء المساهمين) عن طريق إعلان في دولة الإمارات العربية المتحدة أو من خلال إعلان مدفوع في صحيفة يومية يتم نشرها وتوزيعها في دولة الإمارات العربية المتحدة، وفي هذه الحالة يعتبر هذا الإخطار قد تم تقديمه بصورة كافية بصرف النظر عن إخفاق أي مساهم في مصرف الإمارات الإسلامي في استلام هذا الإخطار ويتم تفسير جميع الإشارات الواردة في مستند العرض هذا إلى الإخطار أو إلى تقديم معلومات كتابية من قبل مقدم العرض و/أو وكيله المعني و/أو مستشاري العلاقات العامة وفقًا لذلك.

(g) The Offeror reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, in accordance with the terms of the Acceptance and Transfer Form.

(ز) يحتفظ مقدم العرض بالحق في إجراء التغييرات أو الإضافات أو التعديلات التي قد تكون ضرورية أو مطلوبة لإعطاء الفاعلية لأي قبول مزعوم للعرض، وذلك وفقا لأحكام نموذج القبول والتحويل.

(h) All references in this Offer Document to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).

(ح) جميع الإشارات الواردة في مستند العرض هذا إلى أي قانون، تشريع أو نصاً قانونيًا تتضمن القانون أو التشريع أو النص القانوني الذي يعدل أو يوحد أو يحل محل ذلك القانون أو التشريع أو النص القانوني (سواء قبل تاريخ هذا المستند أو بعده).

(i) Any EIB Shareholder who has pledged or otherwise subjected their EIB Shares to any form of security or attachment (such as a court order) must contact the bank or entity in whose favour the EIB Shares have been pledged or any other security over the shares has been granted or attached and obtain written clearance from that bank or entity to transfer those EIB Shares to the Offeror. The written clearance (or a certified copy thereof) must be lodged with the Acceptance and Transfer Form, otherwise, those EIB Shares may not be transferred to the Offeror and the Offer may not have been accepted in respect of such EIB Shares.

(ط) يجب على مساهم مصرف الإمارات الإسلامي، الذي رهن أو أخضع أسهمه في مصرف الإمارات الإسلامي لأي نوع من أنواع الضمان أو الحجز (بأمر المحكمة مثلًا)، التواصل مع البنك أو الكيان الذي تم رهن أسهم شركة داماك أو تقديم أي ضمان آخر أو حجز على الأسهم لصالحه والحصول على تصريح كتابي من ذلك البنك أو الجهة لتحويل أسهم مصرف الإمارات الإسلامي إلى مقدم العرض. ويجب تقديم التصريح الكتابي (أو نسخة مصدقة منه) مع نموذج القبول والتحويل، وإلا فيمكن ألا يتم نقل أسهم مصرف الإمارات الإسلامي إلى مقدم العرض ولن يتم قبول العرض فيما يتعلق بهذه الأسهم.

(j) If an EIB Shareholder lodges an Acceptance and Transfer Form in respect of EIB Shares, but subsequently transfers any or all of its EIB Shares to a third party prior to the Offer Closing Date, its Acceptance and Transfer Form in respect of such transferred EIB Shares will be deemed to be invalid and it will not have accepted the Offer in respect of such transferred EIB Shares.

(ي) إذا قدم مساهم مصرف الإمارات الإسلامي نموذج قبول وتحويل فيما يتعلق بأسهم مصرف الإمارات الإسلامي، وقام بعد ذلك بنقل ملكية جزء أو جميع أسهمه في مصرف الإمارات الإسلامي إلى الغير قبل تاريخ إغلاق العرض، فسيتم اعتبار نموذج القبول والتحويل الخاص به فيما يتعلق بأسهم مصرف الإمارات الإسلامي التي تم تحويلها غير ساري ولن يعتبر قد قبل العرض فيما يتعلق بأسهم مصرف الإمارات الإسلامي التي تم تحويلها.

(k) The Receiving Agent will compile and maintain a register of those EIB Shareholders who have accepted the Offer setting out the names of such shareholders (the "**Register of Acceptances**"), the number of EIB Shares in respect of which an Acceptance and Transfer Form has been duly completed, and the shareholders' investor numbers. The Receiving Agent will deliver to the Dubai CSD the Register of Acceptances promptly following the Offer Closing Date (being 27 March 2025) and before the Unconditional Date.

(ك) سيقوم وكيل الاستلام بتجميع والاحتفاظ بسجل لمساهمي مصرف الإمارات الإسلامي الذين قبلوا العرض ويحدد أسماء هؤلاء المساهمين ("**سجل حالات القبول**")، وعدد أسهم مصرف الإمارات الإسلامي التي تم استكمال نموذج القبول والتحويل الخاص بها على النحو الواجب وأرقام المستثمرين للمساهمين. سوف يقوم وكيل الاستلام بتسليم سجل حالات القبول إلى شركة دبي للإيداع بسرعة بعد تاريخ إغلاق العرض (أي 27 مارس 2025) وقبل التاريخ غير المشروط.

(l) The Receiving Agent shall not be held liable or responsible for any late submissions, incorrect, erroneous or misleading information which is submitted with Acceptance and Transfer Forms or any SCA or Dubai CSD rejected but delivered Acceptance and Transfer Forms.

(ل) لن يكون وكيل الاستلام مسؤولا عن أية قبولات متأخرة، او معلومات غير صحيحة او مضللة التي تقدم مع نماذج القبول والتحويل او اية نماذج قبول وتحويل مرفوضة من قبل هيئة الأوراق المالية والسلع او شركة دبي للإيداع.

3.4 OVERSEAS EIB SHAREHOLDERS

4-3 مساهمي مصرف الإمارات الإسلامي في الخارج

(a) EIB Shareholders in Restricted Jurisdictions should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such shareholders wishing to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or duties due in such jurisdiction. Any such

(أ) ينبغي لمساهمي مصرف الإمارات الإسلامي في الدول المحظورة الاطلاع على أي متطلبات قانونية معمول بها والالتزام بها. وتقع على عاتق أي من المساهمين الراغبين في قبول العرض مسؤولية مراعاة الالتزام التام بالقوانين المعمول بها في الدولة ذات الصلة فيما يتعلق بالعرض، بما في ذلك الحصول على أي موافقات حكومية أو موافقات الرقابة على الصرف أو أي موافقات أخرى قد تكون مطلوبة، والامتثال للإجراءات الضرورية الأخرى ودفع أي ضرائب أو رسوم إصدار أو تحويل أو غير ذلك من الضرائب أو الرسوم التي تكون مستحقة الدفع في هذه الدولة. وسيكون أي مساهم من هؤلاء المساهمين مسؤولا عن دفع أي ضرائب إصدار أو

shareholder will be responsible for any issue, transfer or other taxes or other requisite payments by whomsoever payable and the Offeror, and any person acting on its behalf, shall be fully indemnified and held harmless by such shareholder for any such issue, transfer or other taxes or other requisite payments as the Offeror, and any person acting on its behalf may be required to pay. If you are an EIB Shareholder resident in a Restricted Jurisdiction and you are in any doubt about your position, you should consult your professional adviser in your relevant jurisdiction.

تحويل أو غير ذلك من الضرائب أو الدفعات اللازمة والمستحقة ألي جهة ويتم تعويض وإعفاء مقدم العرض، وأي شخص يتصرف نيابة عنه، بالكامل من قبل هذا المساهم من أي ضرائب أو مدفوعات من هذا النوع يكون مطلوبًا من مقدم العرض، أو أي شخص يتصرف نيابة عنه، دفعها. فإذا كنت من مساهمي مصرف الإمارات الإسلامي وتقيم في دولة محظورة وكان لديك أي شك بشأن وضعك، فيجب عليك طلب المشورة من مستشارك المهني في الدولة ذات الصلة.

(b) In particular, unless otherwise determined by the Offeror and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into or by the use of the mail, or by any means or instrumentality (including, without limitation, telex, facsimile transmission, telephone, internet or other forms of electronic communication) of interstate or foreign commerce, or by any facilities of a national securities exchange of, a Restricted Jurisdiction and the Offer cannot be accepted by any such use, means or instrumentality or otherwise from or within a Restricted Jurisdiction. Accordingly, this Offer Document, and any accompanying document are not being, and must not be mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction to any resident or national of a Restricted Jurisdiction, including (without limitation) to EIB Shareholders with registered addresses in a Restricted Jurisdiction or to persons whom the Offeror knows to be trustees, nominees or custodians holding EIB Shares for such persons. Persons receiving such documents (including, without limitation, trustees, nominees or custodians) must not distribute, send or mail them in, into or from a Restricted Jurisdiction or to any resident or national of a Restricted Jurisdiction, or use any such instrument for any purpose directly or indirectly in connection with the Offer

(ب) على وجه الخصوص، وما لم يقرر مقدم العرض خلاف ذلك ويسمح به القانون واللوائح المعمول بها، لا يتم تقديم العرض، بصورة مباشرة أو غير مباشرة، عن طريق أو باستخدام البريد، أو بأي وسيلة أو أداة (بما في ذلك، على سبيل المثال لا الحصر، التلكس أو الفاكس أو الهاتف أو الإنترنت أو أي وسيلة أخرى من وسائل الاتصال الإلكتروني) للتجارة الداخلية أو الخارجية، أو من خلال أي تسهيلات لسوق الأوراق المالية الوطنية في أي دولة محظورة، ولا يمكن قبول العرض باستخدام تلك الوسائل أو الأدوات من أي دولة محظورة أو من داخلها. ووفقًا لذلك، لا يتم إرسال هذا المستند، وأي مستند مرفق، ويجب عدم إرساله، بالبريد أو إعادة توجيهه أو توزيعه أو إرساله في أو إلى أو من أي دولة محظورة إلى أي مقيم أو مواطن في دولة محظورة، بما في ذلك (على سبيل المثال لا الحصر) إلى مساهمي مصرف الإمارات الإسلامي الذين لديهم عناوين مسجلة في دولة محظورة أو إلى الأشخاص الذين يعلم مقدم العرض بأنهم أمناء أو نواب أو أوصياء يحملون أسهم مصرف الإمارات الإسلامي عن هؤلاء المساهمين. ويُحظر على الأشخاص الذين يستلمون هذه المستندات (بما في ذلك، على سبيل المثال لا الحصر، أمناء الحفظ أو النواب أو الأوصياء) توزيعها أو إرسالها أو إرسالها بالبريد في أو إلى أو من أي دولة محظورة أو إلى أي مقيم أو مواطن في دولة محظورة، أو استخدام أي من هذه الأدوات ألي غرض يتعلق بصورة مباشرة أو غير مباشرة بالعرض، وقد يؤدي القيام بذلك إلى إبطال أي قبول مزعوم للعرض. وعلى الأشخاص الراغبين في قبول العرض عدم استخدام بريد أي دولة محظورة أو أي وسيلة أو أداة من هذا

and so doing may invalidate any related purported Acceptance of the Offer. Persons wishing to accept the Offer must not use mails of a Restricted Jurisdiction or any such means or instrumentality for any purpose directly or indirectly related to acceptance of the Offer or such election.

القبيل ألي غرض يتعلق بصورة مباشرة أو غير مباشرة بقبول العرض أو هذا الاختيار.

(c) The Offeror reserves the right to investigate, in relation to any Acceptance, whether the representation and warranty set out in paragraph 6 of the term and conditions of the Acceptance and Transfer Form could have been truthfully given by the relevant EIB Shareholder and, if such investigation is made and, as a result, the Offeror cannot satisfy itself that such representation and warranty was true and correct, such acceptance may not be valid.

(ج) يحتفظ مقدم العرض بالحق في فحص والتحقق، فيما يتعلق بأي قبول، فيما إذا كان التعهد والضمان المنصوص عليهما في الفقرة 6 من شروط و احكام نموذج القبول والتحويل قد تم تقديمهما من قبل المساهم ذي الصلة، وإذا تم هذا الفحص ونتيجة له لم يستطع مقدم العرض التيقن من صدق وصحة التعهد والضمان، فمن الممكن ألا يكون هذا القبول سارياً.

(d) Neither the Offeror nor any agent or adviser or general manager of the Offeror or any person acting on its behalf shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of Acceptances of the Offer, pursuant to the provisions of this section 3.4 (*Overseas EIB Shareholders*) or otherwise in connection therewith.

(د) لا يتحمل مقدم العرض أو أي وكيل أو مستشار أو مدير عام تابع له أو أي شخص يتصرف نيابة عنه أي مسؤولية تجاه أي شخص عن أي خسارة أو خسارة مزعومة تنشأ نتيجة أي قرار يتعلق بمعالجة حالات قبول العرض، وفقًا لأحكام القسم 3-4 (مساهمي مصرف الإمارات الإسلامي في الخارج) أو فيما يتعلق بها.

(e) If, in connection with the making of the Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this Offer Document or any related offering documents in, into or from a Restricted Jurisdiction or uses the mail of or any means or instrumentality (including without limitation facsimile transmission, electronic mail or telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of, a Restricted Jurisdiction in connection with such forwarding, such person should: (i) inform the recipient of such fact; (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and

(ه) فيما يتعلق بتقديم العرض، وبغض النظر عن القيود الموضحة أعلاه، إذا قام أي شخص (بما في ذلك، على سبيل المثال لا الحصر، الأوصياء والنواب والأمناء)، سواء بموجب التزام تعاقدي أو قانوني أو غير ذلك، بإعادة توجيه مستند العرض هذا أو أي مستندات ذات صلة بالعرض في أو إلى أو من دولة محظورة أو استخدام البريد أو أي وسيلة أو أداة (بما في ذلك على سبيل المثال لا الحصر الإرسال بالفاكس أو البريد الإلكتروني أو الهاتف) للتجارة الداخلية أو الخارجية، أو أي تسهيل لسوق الأوراق المالية الوطنية، في أي دولة محظورة فيما يتعلق بإعادة التوجيه المذكور، فينبغي لهذا الشخص: (1) إبلاغ المستلم بهذا الأمر؛ و(2) تقديم توضيح للمستلم أن هذا الإجراء قد يبطل أي قبول مزعوم من قبل المستلم؛ و(3) لفت انتباه المستلم إلى القسم 3-4 (*مساهمي شركة داماك في الخارج*).

(iii) draw the attention of the recipient to this section 3.4 (*Overseas EIB Shareholders*).

3.5 PURCHASE OF EIB SHARES OUTSIDE THE OFFER

ENBD reserves the right to purchase EIB Shares outside the Offer in accordance with the M&A Rules and other applicable laws.

ENBD has received SCA's approval to purchase EIB Shares on-market outside the Offer, during the Offer Period, provided that:

(a) such purchases shall only commence after a special independent disclosure is made in that respect on the DFM one day before the commencement of such purchases;

(b) such purchases shall commence after EIB discloses the independent valuation price on the DFM;

(c) such purchases will be concluded at a price equal to the Offer Price;

(d) such purchases are conducted and settled in accordance with the applicable DFM and SCA rules and regulations; and

(e) ENBD adheres to any applicable disclosure requirements with respect to such purchases.

3.6 DOCUMENTS AVAILABLE ON WEBSITE

Copies of the following documents shall be, or will be, made available on EIB's website at https://www.emiratesislamic.ae/en/tender-offer until the end of the Offer:

(a) this Offer Document;

(b) the Notification of Mandatory Offer and Acquisition;

5-3 شراء أسهم مصرف الإمارات الإسلامي خارج نطاق العرض

يحتفظ بنك الإمارات دبي الوطني بالحق في شراء أسهم مصرف الإمارات الإسلامي خارج العرض وفقًا لقواعد الاندماج والاستحواذ والقوانين المعمول بها.

وقد تلقى بنك الإمارات دبي الوطني موافقة هيئة الأوراق المالية والسلع لشراء أسهم مصرف الإمارات الإسلامي في السوق خلال فترة العرض، بشرط:

(أ) أن يبدأ الشراء بعد صدور إفصاح خاص مستقل على موقع سوق دبي المالي بهذا الشأن قبل يوم واحد من عملية الشراء؛

(ب) ان يبدأ الشراء بعد افصاح مصرف الإمارات الإسلامي عن سعر التقييم المحايد على موقع سوق دبي المالي؛

(ج) ان تتم عمليات الشراء هذه على سعر مساوي لسعر العرض؛

(د) ان تتم عمليات الشراء هذه بسعر مساوي لسعر العرض وان يتم تسويتها وفقا للقواعد والاحكام المطبقة لدى سوق دبي المالي وهيئة الأوراق المالية والسلع؛ و

(ه) التزام بنك الإمارات دبي الوطني ومقدم العرض النهائي بأية متطلبات افصاح مطبقة فيما يتعلق بمثل عمليات الشراء هذه.

6-3 المستندات المتوفرة على الموقع الإلكتروني

ستتوفر نسخ من المستندات التالية، او سيتم توفيرها، على الموقع الالكتروني لمصرف الإمارات الإسلامي https://www.emiratesislamic.ae/ar/tender-offer حتى نهاية العرض:

(أ) مستند العرض هذا؛ و

(ب) الاشعار العرض الالزامي والاستحواذ؛ و

(c) the Acceptance and Transfer Form;

(ج) نموذج القبول والتحويل؛ و

(d) reports and consolidated financial statements of EIB for the years ending 31 December 2022, 31 December 2023 and 31 December 2024; and

(د) التقارير والبيانات المالية الموحدة لمصرف الإمارات الإسلامي للسنوات المنتهية في 31 ديسمبر2022 و31 ديسمبر 2023 و31 ديسمبر2024؛ و

(e) the EIB Offeree Circular.

نشرة متلقي العرض الخاصة بمصرف الإمارات الإسلامي.

The content of the website referred to in this Offer Document is not incorporated into and does not form part of this Offer Document.

لا يتم تضمين هذا المستند محتوى الموقع الإلكتروني المشار إليه في هذا المستند ولا يشكل جزءاً منه.

4. THE OFFEROR

4. مقدم العرض

The Offeror owns approximately 99.8923% of the issued and paid up share capital of EIB directly.

يمتلك مقدم العرض ما يقرب من 99.8923% من رأس المال المصدر والمدفوع لمصرف الإمارات الإسلامي مباشرة.

4.1 DEALINGS

4-1 التعاملات

Following completion of the Offer, ENBD intends to maintain its shareholding in EIB.

بعد اكتمال العرض، يعتزم بنك الإمارات دبي الوطني ش.م.ع. الحفاظ على حصتها في مصرف الإمارات الإسلامي.

4.2 POST-ACQUISITION STRATEGY

4-2 استراتيجية ما بعد الاستحواذ

Following the successful implementation of the Offer and acquisition of shares, the Offeror intends to maintain EIB's commercial registration and trade name.

بعد الاتمام الناجح للعرض والاستحواذ على الأسهم، يعتزم مقدم العرض الإبقاء على التسجيل التجاري والاسم التجاري لمصرف الإمارات الإسلامي.

EIB will continue to operate under the normal course of business and maintain its operations, where disruption to or cessation of any significant line of operations of EIB is not expected to occur as a result of the proposed acquisition of shares under the Offer.

سيستمر مصرف الإمارات الإسلامي بعملياته وبالعمل بشكل طبيعي، إذ إنه ليس من المتوقع حدوث أي تعطيل او توقف في أية عمليات جوهرية لمصرف الإمارات الإسلامي كنتيجة للاستحواذ على الأسهم بموجب هذا العرض.

The Offeror will, in due course, following the successful implementation of the Offer, and subject to the Mandatory Acquisition, commence the process of cancelling the listing of the shares of EIB from DFM after obtaining the required approvals in this regard.

سيبدأ مقدم العرض، في الوقت المناسب، بعد التنفيذ الناجح للعرض، ورهنًا بعملية الاستحواذ الإلزامية، عملية إلغاء إدراج أسهم مصرف الإمارات الإسلامي من سوق دبي المالي، وبعد الحصول على الموافقات اللازمة في هذا الشأن.

4.3 SPECIAL ARRANGEMENTS

4-3 الترتيبات الخاصة

Other than as stated above, the Offeror confirms that no other agreement, arrangement or understanding (including any compensation arrangement) exists between ENBD or any person

بخلاف ما ذُكر أعلاه، يقر مقدم العرض بعدم وجود أي اتفاق أو ترتيب أو تفاهم آخر (بما في ذلك أي ترتيبات تعويض) بين بنك الإمارات دبي الوطني أو أي شخص يتصرف بالاتفاق مع بنك الإمارات دبي الوطني (بما في ذلك: (1) أي من أعضاء

acting in agreement with ENBD (including: (i) any of the EIB Board of Directors, (ii) any EIB Shareholder, and (iii) any person who served as a director of EIB / any person who was a shareholder of EIB within the six (6) months period preceding the date of this Offer Document).

مجلس إدارة مصرف الإمارات الإسلامي و(2) أي مساهم في مصرف الإمارات الإسلامي، و(3) أي شخص يعمل كمدير لمصرف الإمارات الإسلامي / أي شخص كان مساهمًا في مصرف الإمارات الإسلامي خلال فترة ستة (6) أشهر السابقة لتاريخ مستند العرض هذا)

5. EIB'S FINANCIAL STATEMENTS

5. البيانات المالية لمصرف الإمارات الإسلامي

The following table sets out financial information in respect of EIB. The documents referred to in the table are incorporated into this Offer Document by reference. If you are reading this Offer Document in hard copy, please enter the web addresses below in your web browser to be brought to the relevant document. If you are reading this Offer Document in soft copy, please click on the web addresses below to be brought to the relevant document.

يوضح الجدول التالي المعلومات المالية المتعلقة بشركة مصرف الإمارات الإسلامي. تم تضمين المستندات المشار إليها في الجدول في مستند العرض هذا بالإحالة. إذا كنت تقرأ هذا المستند في نسخة مطبوعة، فيُرجى إدخال عناوين الموقع الإلكتروني أدناه في متصفح الموقع الإلكتروني لديك لتوجيهك إلى مستند العرض ذي الصلة. أما إذا كنت تقرأ المستند العرض هذا في نسخة إلكترونية، فيُرجى النقر علىعناوين الموقع الإلكتروني أدناه لتوجيهك إلى المستند ذي الصلة.

Information incorporated by reference into this Offer Document

المعلومات المضمنة بالإحالة في مستند العرض

Source of Information

مصدر المعلومات

Report and consolidated financial statements for the year ended 31 December 2022

التقارير والبيانات المالية الموحدة للسنة المنتهية في 31 ديسمبر 2022

EIB, https://www.emiratesislamic.ae/en/tender-offer

مصرف الإمارات الإسلامي، https://www.emiratesislamic.ae/ar/tender-offer

Report and consolidated financial statements for the year ended 31 December 2023

التقارير والبيانات المالية الموحدة للسنة المنتهية في 31 ديسمبر 2023

EIB, https://www.emiratesislamic.ae/en/tender-offer

مصرف الإمارات الإسلامي، https://www.emiratesislamic.ae/ar/tender-offer

Report and consolidated financial statements for the year ended 31 December 2024

التقارير والبيانات المالية الموحدة للسنة المنتهية في 31 ديسمبر 2024

EIB, https://www.emiratesislamic.ae/en/tender-offer

مصرف الإمارات الإسلامي، https://www.emiratesislamic.ae/ar/tender-offer

6. GLOSSARY

6. مسرد المصطلحات

Words and expressions not otherwise defined in this Offer Document have, unless the context otherwise requires, the following meanings:

تحمل الكلمات والعبارات غير المعرّفة في مستند العرض هذا بأي طريقة أخرى، ما لم يقتض السياق خلاف ذلك، المعاني التالية:

Acceptance

القبول

the acceptance of this Offer by an EIB Shareholder by signing the Acceptance and Transfer Form and submitting the same to the Receiving Agent within the Offer Period as per the procedures prescribed in this Offer Document and the Acceptance and Transfer Form

قبول هذا العرض من جانب أحد مساهمي مصرف الإمارات الإسلامي بالتوقيع على نموذج القبول والتحويل وإرساله إلى وكيل الاستلام خلال فترة العرض وفقًا للإجراءات المنصوص عليها في مستند العرض هذا

Acceptance and Transfer Form

نموذج القبول والتحويل

the acceptance form accompanying this Offer Document for EIB Shareholders to accept the Offer

نموذج القبول المرفق بمستند العرض هذا لمساهمي مصرف الإمارات الإسلامي لقبول العرض

AED

درهم إماراتي

Dirham, the lawful currency of the UAE

الدرهم، العملة القانونية في دولة الإمارات العربية المتحدة

Articles of Association

النظام الأساس

the articles of association of EIB

النظام الأساس لمصرف الإمارات الإسلامي

Commercial Companies Law

قانون الشركات التجارية الشرط المسبق

UAE Federal Decree Law No. 32 of 2021 on commercial companies (as amended)

مرسوم قانون الإمارات العربية المتحدة الاتحادي رقم 32 لسنة 2021 بشأن الشركات التجارية (كما تم تعديله)

Condition Precedent

الشرط المسبق

the condition set out in section 2.9 (*Condition Precedent to the Offer*) of this Offer Document

الشرط المنصوص عليه في القسم 2-9 (*الشرط المسبق للعرض*) من مستند العرض هذا

DFM

DFM

Dubai Financial Market

سوق دبي المالي

Dubai CSD

مكز دبي للإيداع

the Dubai Central Securities Depositary LLC, a limited liability company, being an independent legal entity to perform central depositary services solely owned by Dubai Central Clearing and Depository Holding LLC, incorporated in Dubai, UAE with its head office at World Trade Center, Mezzanine Floor, Rashid Tower, P.O. Box 9700, Dubai, UAE

شركة دبي للإيداع المركزي للأوراق المالية ذ.م.م، وهي شركة ذات مسؤولية محدودة، تُعتبر كيانًا قانونيًا مستقلًا يختص بتقديم خدمات الإيداع المركزي. تعود ملكية الشركة بالكامل لشركة دبي للمقاصة والإيداع المركزي القابضة ذ.م.م، والتي تم تأسيسها في دبي، الإمارات العربية المتحدة، ويقع مقرها الرئيسي في مركز التجارة العالمي، طابق الميزانين، برج راشد، ص.ب 9700، دبي، الإمارات العربية المتحدة

EIB

مصرف الإمارات الإسلامي

Emirates Islamic Bank P.J.S.C., a public joint stock company incorporated under the Department of

مصرف الإمارات الإسلامي ش.م.ع.، هو شركة مساهمة عامة تم تأسيسها بموجب دائرة التنمية الاقتصادية في دبي،

Economic Development in Dubai, UAE, and registered under license number 107585	الإمارات العربية المتحدة، ومسجلة تحت رقم الترخيص 107585
EIB Board of Directors	***مجلس إدارة مصرف الإمارات الإسلامي***
the board of directors of EIB	مجلس إدارة مصرف الإمارات الإسلامي
EIB Offeree Circular	***نشرة متلقي العرض الخاصة بمصرف الإمارات الإسلامي***
the offeree circular prepared by EIB in accordance with applicable law, including the recommendation of the EIB Board of Directors to the EIB Shareholders in connection with the Offer	نشرة متلقي العرض المعدة من جانب مصرف الإمارات الإسلامي وفقًا للقوانين المطبقة، والتي تشمل توصية مجلس إدارة مصرف الإمارات الإسلامي الى مساهمي شركة مصرف الإمارات الإسلامي فيما يتعلق بالعرض
EIB Shares	***أسهم مصرف الإمارات الإسلامي***
5,847,984 Ordinary Shares for which the Offer will be made	5,847,984 سهمًا عاديًا التي سيقدم العرض بشأنها
EIB Shareholders	***مساهمي مصرف الإمارات الإسلامي***
the holders of EIB Shares	حاملي أسهم مصرف الإمارات الإسلامي
ENBD	***بنك الإمارات دبي الوطني***
Emirates NBD Bank P.J.S.C., a public joint stock company incorporated under the Department of Economic Development in Dubai, UAE and registered under license number 598201	بنك الإمارات دبي الوطني ش.م.ع.، هو شركة مساهمة عامة تم تأسيسها بموجب دائرة التنمية الاقتصادية في دبي، الإمارات العربية المتحدة، ومسجلة تحت رقم الترخيص 598201
IASB	***IASB***
the International Accounting Standards Board	مجلس معايير المحاسبة الدولية
IFRS	***IFRS***
the International Financial Reporting Standards as issued by the IASB	المعايير الدولية لإعداد التقارير المالية الدولية على النحو التالي الصادرة عن مجلس معايير المحاسبة الدولية
Lead Arranger	***المدير الرئيسي***
Emirates NBD Capital PSC	شركة الإمارات دبي الوطني كابيتال المحدودة
M&A Rules	***قواعد الاندماج والاستحواذ***
SCA Chairman Resolution No. (18/RM) of 2017 concerning the merger and acquisition rules for public joint stock companies	قرار رئيس هيئة الأوراق المالية والسلع رقم (18/ر.م) لسنة 2017 بشأن قواعد الاندماج والاستحواذ لشركات المساهمة العامة
M&A Technical Rules	***قواعد الاستحواذ والاندماج الفنية***

Decision No. (62/RT) of 2017 concerning the technical requirements for acquisition and merger rules

قرار رقم (62/ر.ت) لسنة 2017 بشأن المتطلبات الفنية لقواعد الاستحواذ والاندماج

Mandatory Acquisition

الاستحواذ الإلزامي

the acquisition by the Offeror, pursuant to Article 11(2) of the M&A Rules, Article 299(2) of the Commercial Companies Law and Article 14 (bis) (as proposed) of the Articles of Association, of any EIB Shares not acquired by the Offeror pursuant to the Offer

يجرى الاستحواذ من جانب مقدم العرض وفقًا للمادة 11(2) من قواعد الاندماج والاستحواذ، والمادة 299(2) من قانون الشركات التجارية، والمادة 14 (مكرر) (كما هو مقترح) من النظام الأساس لأسهم مصرف الإمارات الإسلامي التي لم يُستحوذ عليها من جانب مقدم العرض وفقًا للعرض

Mandatory Acquisition Notice

إخطار الاستحواذ الإلزامي

the notice to be dispatched to all remaining EIB Shareholders following completion of the Offer to notify such EIB Shareholders of the Offeror's decision to exercise its rights pursuant to Article 11(2) of the M&A Rules, Article 299(2) of the Commercial Companies Law and Article 14 (bis) (as proposed) of the Articles of Association to pursue the Mandatory Acquisition and acquire all remaining EIB Shares

الإخطار الذي يجب إرساله إلى جميع مساهمي مصرف الامارات الإسلامي المتبقين عقب اكتمال العرض لإخطار مساهمي مصرف الامارات الإسلامي المتبقين بقرار مقدم العرض بممارسة حقوقه وفقاً للمادة 11(2) من قواعد الاستحواذ والاندماج والمادة 299(2) من قانون الشركات التجارية، والمادة 14 (مكرر) (كما هو مقترح) من النظام الأساس لمتابعة الاستحواذ الإلزامي والاستحواذ على جميع الأسهم المتبقية لمصرف الإمارات الإسلامي

Mandatory Acquisition Notice Period

فترة إخطار الاستحواذ الإلزامي

the period commencing on date of dispatch of the Mandatory Acquisition Notice and ending on the period 60 days thereafter

المدة التي تبدأ في تاريخ إرسال إخطار الاستحواذ الإلزامي والتي تنتهي بمرور 60 يومًا بعدها

Notification of Mandatory Offer and Acquisition

الاشعار العرض الالزامي والاستحواذ

the notification of offer issued by the Offeror to the EIB Board of Directors on 25 February 2025

الاشعار العرض الالزامي والاستحواذ الصادر من مقدم العرض لمجلس إدارة مصرف الإمارات الإسلامي في تاريخ 25 فبراير 2025

Offer

العرض

the offer made by the Offeror in accordance with the M&A Rules to acquire 100% of the Ordinary Shares of EIB for the Offer Price per EIB Share

العرض المقدم من جانب مقدم العرض وفقًا لقواعد الاندماج والاستحواذ للاستحواذ على 100% من الأسهم العادية لمصرف الإمارت الإسلامي نظير سعر العرض لكل سهم من أسهم مصرف الإمارت الإسلامي

Offer Closing Date

تاريخ إغلاق العرض

2:00PM on 27 March 2025 (or as otherwise notified by the Offeror to EIB)

الساعة 2:00 ظهرًا يوم 27 مارس 2025 (أو كما يتم إخطار مصرف الإمارت الإسلامي من جانب مقدم العرض)

Offer Document

مستند العرض

this offer document prepared in relation to the Offer dated 27 February 2025	مستند العرض الذي تم إعداده فيما يتعلق بالعرض بتاريخ 27 فبراير 2025
Offer Opening Date	***تاريخ فتح العرض***
the date from which the completed Acceptance and Transfer Forms will be received by the Receiving Agent, being 27 February 2025	التاريخ الذي اعتبارًا منه سيستلم وكيل الاستلام نماذج القبول والتحويل المستوفاة وهو 27 فبراير2025
Offer Period	***فترة العرض***
the period beginning on the Offer Opening Date and ending on the Offer Closing Date	الفترة التي تبدأ من تاريخ فتح العرض وتنتهي في تاريخ إغلاق العرض
Offer Price	***سعر العرض***
means the mandatory cash offer by the Offeror, to acquire 100% of the Ordinary Shares of EIB for cash of AED 11.95 per EIB Share	يعني العرض النقدي الإلزامي المقدم من جانب مقدم العرض للاستحواذ على 100% من الأسهم العادية لمصرف الإمارات الإسلامي نظير مبلغ نقدي قدره 11.95 درهم إماراتي لكل سهم من أسهم مصرف الإمارات الإسلامي
Offeree	***متلقي العرض***
EIB	مصرف الإمارات الإسلامي
Offeror	***مقدم العرض***
ENBD	بنك الإمارات دبي الوطني
Ordinary Shares	***الأسهم العادية***
5,430,421,875 issued and fully paid ordinary shares of EIB with a nominal value of AED 1.00 each in the capital of EIB	يبلغ عددها 5,430,421,875 سهمًا عاديًا مصدرة ومدفوعة بالكامل من مصرف الإمارات الإسلامي بقيمة اسمية قدرها 1.00 درهم إماراتي لكل سهم في رأس مال مصرف الإمارات الإسلامي
Receiving Agent	***وكيل الاستلام***
ENBD, which is authorised to receive Acceptance and Transfer Forms in accordance with the terms thereunder and this Offer Document	بنك الإمارات دبي الوطني المصرح له باستلام نماذج القبول والتحويل وفقًا لشروطها ووفقا لمستند العرض هذا
Register of Acceptances	***سجل القبول***
has the meaning given to it in section 3.3(k) of this Offer Document	يُفسر بالمعنى الوارد في القسم 3-3 (ك) من مستند العرض هذا
Restricted Jurisdiction	***الدولة المحظورة***

any jurisdiction where the making of, the extension or acceptance of the Offer would violate the laws of that jurisdiction	أية دولة يكون نشر العرض فيها أو قبوله مخالفًا لقانون تلك الدولة
SCA	***هيئة الأوراق المالية والسلع***
the UAE Securities and Commodities Authority	هيئة الأوراق المالية والسلع الإماراتية
UAE	***دولة الإمارات العربية المتحدة***
the United Arab Emirates	الإمارات العربية المتحدة
Unconditional Date	***التاريخ غير المشروط***
has the meaning given to it in section 2.7 (*Settlement of the Offer*) of this Offer Document	يُفسر بالمعنى الوارد في القسم 2-7 (*تسوية العرض*)

7. **ATTACHMENTS**

.7 المرفقات

- Confirmation of sufficient funds issued by ENBD;	- تأكيد كفاية الأموال الصادرة عن بنك الإمارات دبي الوطني
- EIB's Financial Data; and	- البيانات المالية لمصرف الإمارات الإسلامي
- Acceptance and Transfer Form.	- نموذج القبول والتحويل

بنك الإمارات دبي الوطني
Emirates NBD

خاص وسري

PRIVATE AND CONFIDENTIAL

Date: 19 February 2025
Ref: 1/010/25

التاريخ: 19 فبراير 2025
المرجع: 1/010/25

HE Dr. Maryam Buti Al Suwaidi
Chief Executive Officer
Securities and Commodities Authority
Abu Dhabi,
United Arab Emirates
Your Excellency

سعادة/ د. مريم بطي السويدي الموقرة
الرئيس التنفيذي
هيئة الأوراق المالية والسلع
أبوظبي
الإمارات العربية المتحدة

تحية طيبة وبعد،

Subject: Proposed Mandatory Cash Offer by Emirates NBD Bank PJSC ("ENBD") To Acquire Shares In The Issued Share Capital Of Emirates Islamic Bank PJSC not already owned by ENBD (the "Offer")

الموضوع: العرض النقدي الملزم المقترح المقدم من قبل بنك الإمارات دبي الوطني ش.م.ع. ("بنك الإمارات دبي الوطني") للاستحواذ على أسهم في رأس المال المصدر لمصرف الإمارات الإسلامي ش.م.ع. غير المملوكة مسبقاً من قبل بنك الإمارات دبي الوطني ("العرض")

Kindly accept this letter as confirmation (a) that ENBD has the necessary financial resources to implement the full cash consideration of the Offer, and (b) that ENBD guarantees payment in cash to the selling shareholders of the full amount required to complete the Offer in connection with Article 24(6) of SCA Chairman Resolution No. (18/RM) of 2017 concerning the merger and acquisition rules for public joint stock companies.

يرجى التكرّم بقبول هذا الخطاب كتأكيد على (أ) أن لدى بنك الإمارات دبي الوطني الموارد المالية الكافية لتنفيذ المقابل النقدي الكامل للعرض، و(ب) بأن بنك الإمارات دبي الوطني يضمن بأن يدفع إلى المساهمين البائعين كامل المبلغ المطلوب نقداً لاستكمال العرض وفقاً للمادة 24 (6) من قرار رئيس مجلس إدارة هيئة الأوراق المالية والسلع رقم (18/ ر.م) لسنة 2017 بشأن قواعد الاستحواذ والاندماج للشركات المساهمة العامة.

Yours sincerely

وتفضلوا بقبول فائق التحية والتقدير،

Shayne Nelson
Group Chief Executive Officer
Emirates NBD Bank PJSC

شين نيلسون
الرئيس التنفيذي للمجموعة
بنك الإمارات دبي الوطني ش.م.ع.

الإمارات الإسلامي
EMIRATES ISLAMIC

FINANCIAL STATEMENTS

For the year ended
31 December 2022

EMIRATES ISLAMIC BANK PJSC

GROUP CONSOLIDATED FINANCIAL STATEMENTS

Contents

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of Emirates Islamic Bank PJSC (the "Bank"/ "Emirates Islamic") and its subsidiaries (collectively known as "the Group") for the year ended 31 December 2022.

The Bank was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3 October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995. At an extraordinary general meeting held on 10 March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with Shariah rules and principles. The transformation was completed on 9 October 2004 (the "Transformation Date") when the Bank obtained Central Bank of the UAE and other UAE authorities' approvals.

Basis of Preparation of Financial Statements

The Group consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE and as per Islamic Shariah guidance.

Financial Commentary

The Group delivered its highest ever net profit of AED 1.24 billion in 2022, which represents an increase of 51 per cent over 2021, mainly from higher funded and non-funded income coupled with an improvement in cost of risk.

Emirates Islamic continued to maintain healthy liquidity and strong capital ratios, enabling the Bank to grow Customer Financing by 14% during 2022, reflecting the improved economic activity.

Customer Deposits grew by 19% with Current Accounts and Savings Accounts registering 13% growth during the year.

We continue to focus on maintaining a strong balance sheet with strong risk oversight whilst effectively managing cost of risk and ensuring healthy coverage ratios.

Based on the Bank's strong performance, Fitch Ratings affirmed Emirates Islamic's 'A+' Long-Term Rating with a Stable Outlook, Short-Term Rating of 'F1' and upgraded the Bank's Viability Rating.

The Bank provided seamless access for investors in the UAE capital markets by acting as a receiving bank for IPOs on the Dubai Financial Market, including DEWA, Salik, TECOM, Taaleem and EMPOWER.

Emirates Islamic has one of the highest Emiratization rates in the UAE banking sector, at 38% of total employees and 34% of critical positions. Emirates Islamic also drove a number of learning and development initiatives for UAE National talent including The National Achievers Strategic Academy and Future Proof Banker.

Driven by core Shariah principles, Emirates Islamic remains firmly committed to its charitable initiatives and contributed over AED 108 million to a range of charitable initiatives in 2022 through the Emirates Islamic Charity Fund. The Emirates Islamic Charity Fund provides financial aid to those in need, with a focus on food, shelter, health, education and social welfare contributions.

As the Islamic bank of choice in the UAE, we continue to play a pivotal role in the advancement of the Islamic banking sector in the UAE and remain deeply committed to supporting the vision of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of UAE and Ruler of Dubai, to make Dubai the global capital of the Islamic economy.

Equity Holders Funds

Total Equity holders' funds as at the end of 2022 stands at AED 9,260 million (2021: AED 8,551 million).

Dividends

Emirates Islamic continued to make sustained growth during 2022 as a result of its planned growth strategy to be the leading Islamic Bank in the region, and the board of Emirates Islamic intends to continue this growth strategy. The retained profits will be used to fund this planned growth, whilst maintaining healthy capital ratios. No dividend is therefore proposed for the year ended 31 December 2022, to facilitate the growth strategy.

Proposed Appropriations

The Directors propose the following appropriations from retained earnings:

		AED million
Retained earnings as at 01 January 2022		1,774.1
Group profit for the year		1,240.1
Other comprehensive income		8.1
Transfer to Legal and Statutory reserve		(124.0)
Retained earnings available for appropriation		2,898.3
(a)	Directors' fees for 2022	(7.0)
(b)	Zakat	(44.0)
Balance of retained earnings as at 31 December 2022		2,847.3

Attendance of Directors at Board/ Board Committee meetings during 2022

The Board of Directors comprises of the following members:

Mr. Hesham Abdulla Al Qassim	Chairman
Mr. Buti Obaid Buti Al Mulla	Vice Chairman
H.E. Mohamed Hadi Ahmed Al Hussaini	Director
Mr. Ali Humaid Ali Al Owais	Director
H.E. Huda Sayed Naim Al Hashimi	Director (appointed on 23.2.2022)
Mr. Salem Mohammed Obaidalla	Director (appointed on 23.2.2022)
Mr. Shayne Nelson	Director
Mr. Shoaib Mir Hashim Khoory	Director (Resigned 23.2.2022)
Mr. Mohamed Hamad Obaid Al Shehi	Director (Resigned 23.2.2022)

Total Number of Board Meetings: 6

Board Audit Committee

Mr. Salem Mohammed Obaidalla	Chairman (appointed on 23.2.2022)
Mr. Ali Humaid Ali Al Owais	Member
Mr. Shayne Nelson	Member
Mr. Mohamed Hamad Obaid Al Shehi	Chairman (Resigned 23.2.2022)
Mr. Shoaib Mir Hashem Khoory	Member (Resigned 23.2.2022)
Mr. Hesham Abdulla Al Qassim	Member (Resigned 23.2.2022

Total Number of Meetings: 4

Board Nomination & Remuneration Committee

Mr. Buti Obaid Buti Al Mulla	Chairman
Mr. Ali Humaid Al Owais	Member
Mr. Salem Mohammed Obaidalla	Member (Appointed 23.2.2022)
Mr. Hesham Abdulla Al Qassim	Member (Resigned 23.2.2022)
Mr. Shayne Nelson	Member (Resigned 23.2.2022)

Total Number of Meetings: 4

Board Risk Committee

Mr. Ali Humaid Ali Al Owais	Chairman
Mr. Hesham Abdulla Al Qassim	Member
Mr. Salem Mohammed Obaidalla	Member (Appointed 23.2.2022)
Mr. Buti Obaid Buti Al Mulla	Member (Resigned on 23.2.2022)
Mr. Shayne Nelson	Member (Resigned on 23.2.2022)

Total Number of Meetings: 4

Board Credit and Investment Committee

Mr. Hesham Abdulla Al Qassim	Member
H.E. Mohamed Hadi Ahmad Al Hussaini	Member
Mr. Salem Mohammed Obaidalla	Member (Appointed on 23.2.2022)
Mr. Shayne Nelson	Member
Mr. Shoaib Mir Hashem Khoory	Chairman (Resigned on 23.2.2022)
Mr. Mohamed Hamad Obaid Al Shehi	Member (Resigned on 23.2.2022)
Mr. Ali Humaid Ali Al Owais	Member (Resigned on 23.2.2022)

Total Number of Meetings: 41

Board Profit and Equalization Committee

Mr. Hesham Abdulla Al Qassim	Chairman
Mr. Buti Obaid Buti Al Mulla	Member
Dr. Salim Al Ali	ISSC representative in the Committee

Total Number of Meetings: 1

Auditors:

Deloitte & Touche were appointed as auditors of the Group for 2022 financial year in the Annual General Meeting held on 23rd February 2022.

On behalf of the Board

Chairman

Dubai, UAE

25 January 2023

The Annual Shariah Report

Annual Report of the Internal Shariah Supervision Committee of

(Emirates Islamic Bank)

Issued on: (*19-01-2023*)

To: Shareholders of (Emirates Islamic Bank) ("the Institution")

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the Internal Shariah Supervision Committee of the Institution ("ISSC") presents to you the ISSC's Annual Report for the financial year ending on 31 December 2022 ("Financial Year").

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

a. undertake Shariah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shariah resolutions in this regard, and

b. determine Shariah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shariah within the framework of the rules, principles, and standards set by the Higher Shariah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shariah.

The senior management is responsible for compliance of the Institution with Islamic Shariah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shariah") in all Institution's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shariah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shariah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shariah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shariah supervision of the Institution's Activities by reviewing those Activities, and monitoring them through the internal Shariah control division, and internal Shariah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

a. Convening (6) meetings during the year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
e. Supervision through the internal Shariah control division, and internal Shariah audit, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
f. Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shariah control division, and internal Shariah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
h. Specifying the amount of Zakat due on each share of the Institution.
i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shariah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shariah.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shariah requirements.

5. The ISSC's Opinion on the Shariah Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shariah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Islamic Shariah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Signatures of members of the Internal Shariah Supervision Committee of the Institution

Prof. Mohamed Abdul Rahim Sultan Al Olama	Chairman and Executive Member	
Sheikh Essam Mohamed Ishaq	Vice Chairman	( )
Dr. Mohamed Ali Elgari	Member	( )
Dr. Amin Fateh Amer	Member	( )
Dr. Salim Ali Al-Ali	Member	( )

Due Zakat on Emirates Islamic Bank Shareholders for the year 2022

Zakat on shares may be calculated using one of the following methods, according to the intention of the shareholder:

- **First Method**

  Zakat on shares purchased for trading purposes (for capital gain) is as follows:

  Total Zakat payable on shares = Number of shares x Share quoted value x 2.5777%*

- **Second Method**

  Zakat on shares purchased for acquisition (to benefit from the annual return) is as follows:

  Total Zakat payable on shares = Number of shares x Zakat value per share**

* **Note:** Zakat is calculated at 2.5777% for the Gregorian year, and at 2.5% for Hijri year, due to the eleven days difference between the two calendars.

** Zakat value per share = AED 0.0081013

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Emirates Islamic Bank PJSC
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Emirates Islamic Bank PJSC (the "Bank") and its subsidiaries (together the "Group"), Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the 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.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers</td></tr>
<tr><td>The assessment of the Bank's determination of impairment allowances for financing receivables to customers require management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality of the financing receivables to customers (representing 64.7% of total assets) and the complexity of the judgements, assumptions and estimates used in the ECL models. Refer to Note 7 to the consolidated financial statements for the accounting policy and Note 36 for the credit risk disclosure.

The material portion of the non-retail portfolio of financing receivables is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the Bank's policies and the requirements of IFRS 9 Financial Instruments.

The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that models and its parameters (Probability of Default "PD", Loss given Default "LGD", Exposure at Default "EAD" and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process by an independent reviewer.</td><td>We have gained an understanding of the financing receivables origination process, credit risk management process and the estimation process of determining impairment allowances for financing receivables to customers and tested the operating effectiveness of relevant controls within these processes.

On a sample basis, we selected individual financing receivables and performed a detailed credit review and challenged the Banks's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions underlying the impairment allowance calculation, such as estimated future cash flows, collateral valuations and estimates of recovery. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for financing receivables impairment allowances.

We evaluated key assumptions such as thresholds used to determine SICR and forward-looking macroeconomic scenarios including the related weighting.

For financing receivables tested collectively, we evaluated controls over the modelling process, including model inputs, monitoring, validation, and approval. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. We further assessed the reasonableness of forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses.

We tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances.</td></tr>
</table>

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	
	We evaluated other post model adjustments and management overlays in order to assess the reasonableness of these adjustments. The Bank performed an independent validation of the PD and LGD models including macro-economic model during the reporting period. We considered the process of this independent validation of models and involved our subject matter specialists to review the validation and its impact on the results of the impairment estimate. We have updated our assessment of the methodology and framework designed and implemented by the Bank as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Bank to determine future economic conditions at the reporting date. We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to address the potential risk for fraud and error as a result of change to applications or underlying data.	We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to the identified automated controls and Information Produced by the Entity (IPEs) covering access security, program changes, data center and network operations. We examined certain Information Produced by the Entity (IPEs) used in the financial reporting from relevant applications and key controls over their report logics as well as preparation and maintenance. We performed testing on the key automated controls on significant IT systems relevant to business processes. We tested the interfaces among identified systems in order to determine whether information is being transmitted in an accurate and complete manner.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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, related safeguards.

From the matters communicated with the Group's Audit Committee, 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 and regulations preclude 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Emirates Islamic Bank PJSC (continued)

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2022:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Bank;
- Note 11 to the consolidated financial statements discloses the Bank's purchases or investments in shares during the year ended 31 December 2022;
- Note 31 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- Note 38 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2022.

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

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
25 January 2023
Dubai
United Arab Emirates

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

ASSETS	Notes	2022 AED 000	2021 AED 000
Cash and deposits with the Central Bank of the UAE	9	12,026,286	10,688,166
Due from banks	10	4,614,476	2,768,718
Investment securities	11	7,355,871	6,684,578
Financing receivables	12	48,368,978	42,614,024
Positive fair value of Islamic derivatives	28	184,118	118,376
Customer acceptances	30	923,843	787,200
Investment properties		280,547	296,729
Property and equipment		249,206	281,873
Other assets	13	760,393	664,741
TOTAL ASSETS		74,763,718	64,904,405
LIABILITIES			
Due to banks	14	1,880,081	2,548,432
Customer deposits	15	56,343,655	47,269,061
Sukuk payable	16	3,672,500	3,672,500
Negative fair value of Islamic derivatives	28	191,500	126,615
Customer acceptances	30	923,843	787,200
Other liabilities	17	2,491,797	1,949,613
TOTAL LIABILITIES		65,503,376	56,353,421
EQUITY			
Issued capital	18	5,430,422	5,430,422
Legal and statutory reserve	19	815,039	691,025
Other reserves	19	543,043	543,043
Fair value reserve	19	(375,476)	112,390
Retained earnings		2,847,314	1,774,104
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		9,260,342	8,550,984
TOTAL LIABILITIES AND EQUITY		74,763,718	64,904,405

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 10 -15.

Chairman

25 JAN 2023

Chief Executive Officer

GROUP CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 AED 000	2021 AED 000
Income from financing and investment products	20	2,695,320	1,940,345
Distribution on deposits and profit paid to Sukuk holders	21	(360,061)	(229,156)
Net income from financing and investment products		2,335,259	1,711,189
Fee and commission income	22	829,530	726,184
Fee and commission expense		(374,426)	(356,910)
Net fee and commission income		455,104	369,274
Other operating income	23	391,662	317,532
Total operating income		3,182,025	2,397,995
General and administrative expenses	24	(1,539,020)	(1,191,100)
Operating profit before impairment		1,643,005	1,206,895
Net impairment loss on financial assets	25	(401,561)	(332,446)
Net impairment loss on non-financial assets		(1,300)	(51,364)
Total net impairment loss		(402,861)	(383,810)
Net profit for the year		1,240,144	823,085
Earnings per share	27	0.228	0.152

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 10 -15.

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 AED 000	2021 AED 000
Net profit for the year	1,240,144	823,085
Other comprehensive income		
Items that will not be reclassified subsequently to the Income statement:		
Actuarial gains / (losses) on retirement benefit obligations	8,073	(482)
Items that may be reclassified subsequently to the Income statement:		
Movement in fair value reserve (Sukuk instruments):		
- Net change in fair value	(486,810)	(74,704)
- Net amount transferred to income statement	(1,056)	(267)
Other comprehensive income / (loss) for the year	(479,793)	(75,453)
Total comprehensive income for the year	**760,351**	**747,632**

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GROUP CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 AED 000	2021 AED 000
OPERATING ACTIVITIES		
Net profit for the year	1,240,144	823,085
Adjustment for non cash items (refer Note 34)	584,358	660,660
Operating profit before changes in operating assets and liabilities	**1,824,502**	**1,483,745**
(Increase) / decrease in balances with the Central Bank maturing after three months maturing after three months	2,637,047	4,297,305
(Increase) / decrease in amounts due from banks maturing after three months	392,866	(1,445,360)
Increase / (decrease) in amounts due to banks maturing after three months	153,946	(850,000)
(Increase) / decrease in positive fair value of Islamic derivatives	(65,742)	13,466
Increase/(decrease) in negative fair value of Islamic derivatives	64,885	(15,719)
(Increase) / decrease in other assets	(95,652)	(317,093)
Increase / (decrease) in other liabilities	518,331	88,631
Increase / (decrease) in customer deposits	9,074,594	390,986
(Increase) / decrease in financing receivables	(6,342,250)	(2,398,127)
Net cash flows generated from/(used in) operating activities	**8,162,527**	**1,247,834**
INVESTING ACTIVITIES		
(Increase) / decrease in investment securities	(1,072,456)	(1,923,004)
(Increase) / decrease of investment properties	(5,057)	-
Dividend income received	10,147	5,973
(Increase) / decrease of property and equipment	(54,272)	(67,716)
Net cash flows generated from/(used in) investing activities	**(1,121,638)**	**(1,984,747)**
FINANCING ACTIVITIES		
Issuance of sukuk	-	1,836,250
Repayment of sukuk payable (refer note 16)	-	(3,672,500)
Net cash flows generated from/(used in) financing activities	**-**	**(1,836,250)**
Increase / (decrease) in cash and cash equivalents (refer Note 34)	**7,040,889**	**(2,573,163)**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 10 - 15.

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP					
	Issued capital	Legal and statutory reserve	Other reserves	Fair value reserve	Retained earnings	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2022	5,430,422	691,025	543,043	112,390	1,774,104	8,550,984
Profit for the year	-	-	-	-	1,240,144	1,240,144
Other comprehensive income/(loss) for the year	-	-	-	(487,866)	8,073	(479,793)
Transfer to reserves	-	124,014	-	-	(124,014)	-
Directors' fees (refer note 26)	-	-	-	-	(7,000)	(7,000)
Zakat	-	-	-	-	(43,993)	(43,993)
Balance as at 31 December 2022	5,430,422	815,039	543,043	(375,476)	2,847,314	9,260,342
Balance as at 1 January 2021	5,430,422	608,717	514,495	187,361	1,111,009	7,852,004
Profit for the year	-	-	-	-	823,085	823,085
Other comprehensive income/(loss) for the year	-	-	-	(74,971)	(482)	(75,453)
Transfer to reserves	-	82,308	28,548	-	(110,856)	-
Directors' fees	-	-	-	-	(7,000)	(7,000)
Zakat	-	-	-	-	(41,652)	(41,652)
Balance as at 31 December 2021	5,430,422	691,025	543,043	112,390	1,774,104	8,550,984

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.

The independent auditor's report on the Group consolidated financial statements is set out on pages 10 - 15.

1 CORPORATE INFORMATION

Emirates Islamic Bank PJSC (the "Bank") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3 October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of United Arab Emirates.

At an extraordinary general meeting held on 10 March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with the Shariah rules and principles. The entire process was completed on 9 October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD Bank PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), a company in which the Government of Dubai is the major shareholder.

The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is http://www.emiratesislamic.ae. In addition to its head office in Dubai, the Bank operates through 42 branches in the UAE. The consolidated financial statements comprise financial statements of the Bank and its following subsidiaries (together referred to as "the Group").

			Ownership %	
	Date of incorporation & country	**Principal activity**	**31 December 2022**	**31 December 2021**
Emirates Islamic Financial Brokerage Co. LLC*	26 April 2006, UAE	Financial brokerage services	100%	100%
EIB Sukuk Company Limited	6 June 2007, Cayman Islands	Special Purpose Entity	100%	100%
EI Funding Limited	15 May 2014, Cayman Islands	Special Purpose Entity	100%	100%

The Bank provides full commercial and banking services and offers a variety of products through financing and investing instruments in accordance with Shariah rules and principles.

The Bank's registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

*This subsidiary is in the process of being dissolved.

2 BASIS OF ACCOUNTING

Statement of compliance:

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE.

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

3 FUNCTIONAL AND PRESENTATION CURRENCY

The Group consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's functional currency. Except where indicated, financial information presented in AED has been rounded to the nearest thousand.

4 BASIS OF MEASUREMENT

The Group consolidated financial statements have been prepared under the historical cost basis except for the following:

- Shariah compliant derivatives are measured at fair value;
- financial instruments classified at fair value through profit or loss (FVTPL) are measured at fair value; and,
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in Note 5.

5 USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Group consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing receivables as well as allowances for impairment provision for unquoted investment securities. 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.

Significant items where the use of estimates and judgments are required are outlined below:

(i) Financial instruments

Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the consolidated financial statements of the year ended 31 December 2022 pertain to:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.

- Calculation of expected credit loss (ECL): Assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 2022. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Inputs, assumptions and techniques used for ECL calculation

Key concepts that have the most significant impact and require a high level of judgment, as considered by the Group while determining the ECL, are:

Assessment of Significant Increase in Credit Risk ("SICR")

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

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

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Financial instruments (continued)

Inputs, assumptions and techniques used for ECL calculation – (continued)

Assessment of Significant Increase in Credit Risk ("SICR") (continued)

1. The Group has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment is based on individual assessment of financial assets for objective evidence of impairment.

The Group reviews its financing receivables portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a financing receivable or homogenous group of financing receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Financial instruments (continued)

Inputs, assumptions and techniques used for ECL calculation (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The estimation and application of forward-looking information requires significant judgment based on the macroeconomic variables (or changes in macroeconomic variables) such as occupancy rates, oil prices, housing price index and GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio and represent the underlying causal effects of changes in these economic conditions. Each macroeconomic scenario used in the Group's ECL calculation will have projected forecasts of the relevant macroeconomic variables.

The Group estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. These scenarios are based on macroeconomic forecasts published by the external experts. If conditions warrant, additional downside scenarios may also be considered.

Probability weights attached to these scenarios are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities. In some instances the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Group's governance process for oversight.

Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group.

The table below summarizes key macroeconomic indicators included in the economic scenarios on 31 December 2022 for the years ending 2022 to 2026.

	Base Scenario					**Upside Scenario**					**Downside Scenario**				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
UAE															
Oil Price – USD	102	92	72	69	69	102	89	71	69	69	102	90	60	65	67
GDP - Change %	7.5	2.2	3.0	2.6	2.7	7.5	3.5	4.4	2.7	2.7	7.5	(1.1)	(1.0)	3.5	4.3
Imports - AED in Bn	1031	1170	1281	1356	1425	1031	1173	1300	1397	1486	1031	1104	1115	1146	1202

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Financial instruments (continued)

Inputs, assumptions and techniques used for ECL calculation (continued)

Definition of default

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

Expected Life

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

Governance

In addition to the existing risk management framework, the Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management, Internal audit and Business teams and are responsible for reviewing and approving key inputs and assumptions used in the Group ECL estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group financial statements.

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from quoted prices, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where this is not possible, a degree of judgment is required in establishing fair values. The judgments include consideration of liquidity and model inputs such as correlation and volatility for longer dated Shariah compliant derivatives.

Fair values are subject to a control framework designed to ensure that they are either determined or validated, by a function independent of the risk taker.

(iii) Contingent liability arising from litigations

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

6 CHANGES IN ACCOUNTING POLICIES

The Group has consistently applied the accounting policies as set out in Note 7 to all periods presented in these consolidated financial statements, except for the following accounting policies which are applicable from 1 January 2022:

In the current period, the Group has applied the amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS Standards 2018–2020 issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The application of these amendments to IFRSs had no material impact on the amounts reported in the Group consolidated financial statements.

7 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these Group consolidated financial statements.

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group 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 Group re-assesses 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. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the Group consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date, fair value of assets transferred by group, liability incurred and equity interest issued by the group in exchange for control of the acquiree. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in profit or loss. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interest in the acquiree are restated to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Basis of consolidation (continued)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(ii) Special Purpose Entities

Special Purpose Entities (SPEs) are entities that are created to accomplish a well-defined objective such as the securitisation of particular assets, or the execution of a specific funding transaction. An SPE is consolidated if the Group is exposed to variable returns from its involvement in the SPE and has the ability to affect those returns through its power over the SPE based on an evaluation of the substance of its relationship with the Group.

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

a. the Group has power over the SPE;
b. the Group has exposure to, or rights, to variable returns from its involvement with the SPE; and
c. the Group has the ability to use its power over the SPE to affect the amount of the Group's returns.

The assessment of whether the Group has control over an SPE is carried out at inception and reassessed at each period end date or if there are changes in the structure / terms of additional transactions between the group and the SPE..

Information about the Group's securitization activities is included in Note 16.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign Currencies

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. The resulting gain / loss on monetary items is taken to the 'Other operating income' in the consolidated income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Financing Profit

Effective profit rate

Profit income and expense are recognised in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including ECL.

Amortised cost

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount using the effective profit method and, for financial assets, adjusted for any loss allowance.

Gross carrying amount

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting any loss allowance.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financing Profit (continued)

Presentation

Finance profit and expense presented in the consolidated income statement include:

- Profit on financial assets and financial liabilities measured at amortised cost calculated on an effective profit basis.
- Profit on Sukuk measured at FVOCI calculated on an effective profit basis.

(d) Income from financing receivables

Revenue is recognised on the respective Islamic products as follows:

Murabaha

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the balance outstanding.

Istisna'a

Istisna'a revenue and the associated profit margin (difference between the cash price to the customer and the bank's total Istisna'a cost) are accounted using effective profit method.

Ijara

Income from Ijara is recognised on an accrual basis over the period of the contract using effective profit method.

Mudaraba

Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakala

Estimated income from Wakala is recognised on an accrual basis over the period using effective profit method, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

(e) Fees and commission

Fee income, which is not an integral part of the effective profit rate of a financial instrument, is earned from a diverse range of services provided by the Group to its customers, and are accounted for in accordance with IFRS 15 '*Revenue from Contracts with Customers*'. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Fees and commission (continued)

Fee income is accounted for as follows:

(i) income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);

(ii) income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio and other management advisory and service fees); and

(iii) Other fees and commission income and expense are recognised as the related services are performed or received.

Fee income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit rate (for example, certain financing commitment fees) and recorded in income from financing and investing products.

(f) Earnings prohibited by Shariah

Earnings prohibited by the Shariah are set aside for charitable purposes or otherwise dealt with in accordance with the directions of the Internal Shariah Supervision Committee.

(g) Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

(h) Property related income

Property related income includes rental income, which is recognised on a straight-line basis over the term of the lease.

(i) Leases

Under IFRS 16, the Group recognises a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits.

The Group has presented right of use assets within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

Where the Group leases out its investment property, the Group has classified these as operating leases.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities

(i) Classification of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured: at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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.

A financing instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ii) Recognition and initial measurement

The Group initially recognises financing receivables, deposits and sukuks issued on the date on which they are originated or acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(iii) 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 as 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 funding those assets or realizing 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 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 the 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.

Assessment whether contractual cash flows are solely payments of principal and profit:

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 margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, 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;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of profit rate.

See note on investment securities, financing receivables and cash and cash equivalents for further details.

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortised cost or FVTPL.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(iv) Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are financing instruments;
- financial guarantee contracts issued; and
- financing commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(iv) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

Purchased or originated credit impaired assets (POCI)

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit is subsequently recognised based on a credit-adjusted EIR. Lifetime ECLs are only recognised or released to the extent that there is a subsequent change in the credit risk.

Revolving facilities

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

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

Write-off

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(v) Financial guarantees and financing commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified obligor fails to make payment when due, in accordance with the terms of a financing instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

'Financing commitments' are firm irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or irrevocable commitments to provide credit are initially measured at fair value and their initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

(vi) Foreign currencies

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognised through OCI.

(vii) Financing receivables

Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 'Financing receivables' captions in the consolidated statement of financial position include:

- Financing receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective profit method and are presented net of expected credit losses; and
- Financing receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss, if applicable.

The following terms are used in financing receivables:

Murabaha

An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

Istisna'a

An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Ijara

An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent instalments. Ijara could end by transferring the ownership of the asset to the lessee at the end of the agreement or substantially all the risks and returns related to the ownership.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(vii) Financing receivables (continued)

Musharaka

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise

Mudaraba

An agreement between two parties; wherein one of them provides the funds and is called Rab-Ul-Mal and the other provides efforts and expertise and is called the Mudarib and is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. In case of normal loss; the Rab-Ul-Mal would bear the loss of his funds while the Mudarib would bear the loss of his efforts. However, in case of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses. The Group may act as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

Wakala

An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

These products are carried at amortised cost less impairment.

(viii) Investment securities

'Investment securities' caption in the consolidated statement of financial position includes:

- Financing investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit method;
- Financing and equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Financing securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(viii) Investment securities (continued)

For financing securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

- Profit income using the effective profit method
- ECL and reversals, and
- Foreign exchange gains and losses.

When a financing security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses on equity instruments recognised in OCI are transferred to retained earnings on disposal of an investment.

(ix) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards or 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 (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecogniton that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities financing and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(x) Modification of financial assets and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the obligor, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(xi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Group consolidated statement of financial position when, and only when, the Group currently has legally enforceable rights to set off amounts and it intends either to settle them on a net basis or through realize 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 activities.

(xii) Fair value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or

(ii) In the absence of principal market, in the most advantageous market for the asset and liabilities.

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.

Fair value is applicable to both financial and non-financial instruments.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(xiii) Designated at FVTPL

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

(a) The liabilities are managed, evaluated and reported internally on a fair value basis; or
(b) The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

A description of the basis of each designation is set out in relevant notes for the asset or liability class.

(xiv) Sale and repurchase agreements

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

(k) Islamic derivative financial instruments

Islamic derivative financial instruments include foreign exchange contracts, profit rate swaps and foreign exchange options. Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative’s components using recognized pricing or valuation models as appropriate.

(l) Cash and cash equivalents

‘Cash and cash equivalents’ include notes and coins on hand, unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventory

Properties acquired in settlement of financing receivables are held as inventory and are stated at lower of cost or net realisable value. Directly attributable costs incurred in the acquisition of inventory is included as part of cost of the inventory.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date.

(n) Property, equipment and depreciation

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

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

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Freehold premises	25 - 60 years
Freehold improvements	10 years
Leasehold improvements	7 years
Furniture, fixtures and office equipment	5 years
Computer hardware and software	4 - 5 years
Core banking software	5 - 7 years
Motor vehicles	3 - 5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Group consolidated income statement.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investment properties

The Group holds certain properties as investments to earn rental income, for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and accumulated impairment (if any).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in 'other operating income' in the year of retirement or disposal.

Transfers to and from investment properties are made only when there is a change in use based on the business model.

(p) Intangible assets

(i) Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets 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.

Amortisation is recognised in the Group consolidated income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

(ii) Other intangible assets

Intangibles acquired separately are measured on initial recognition at cost. The cost of the intangibles acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible asset are assessed to be either finite or indefinite. Intangibles with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and amortisation method for intangibles with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in an accounting estimate. The amortisation expense on intangibles with finite lives is recognised in the Group consolidated income statement in the expense category consistent with the function of the intangibles.

(q) Impairment of non financial assets

The carrying amounts of the Group's non-financial assets are reviewed periodically to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group or units) on a pro rata basis.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Impairment of non financial assets (continued)

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(r) Deposits, financing receivables and sukuks issued

Deposits, financing receivables and sukuks issued are the main sources of funding for the Group.

Deposits, financing receivables and sukuks issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit method.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(t) Employee benefits

(i) Pension obligations

The Group operates a pension scheme in respect of eligible UAE national employees in compliance with the UAE Federal Law on Pensions and Social Security. Arrangements for benefits for overseas employees is made in accordance with local regulations and customs. Full provision is made for all accrued benefits.

The Group also pays contributions to trustee administered funds on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

(ii) Termination gratuity benefit scheme

In compliance with UAE labour law, the Group has a termination gratuity benefit scheme covering all of its expatriate salaried employees who have been employed with the Group for more than one year. The provision for gratuity is recorded through the consolidated income statement.

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuities include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The value of the gratuity obligations is based on the report submitted by an independent actuarial firm.

(u) Dividend on shares

Dividends on shares are recognised as a liability and deducted from equity when they are approved by the Group’s shareholders in the Annual General Meeting.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Share capital and reserves

Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(w) Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of potential ordinary shares, if any.

(x) Operating segments

For management purposes, the Group is organised into operating segments based on their products, services and certain subsidiaries which are independently managed by the respective segment managers responsible for the performance of the segments under their charge.

The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29.

(y) Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries,
    (i) controls, is controlled by, or is under common control with, the Group;
    (ii) has any interest in the Group that gives it significant influence over the Group; or
    (iii) has joint control over the Group;

(b) the party is an associate;
(c) the party is a jointly-controlled entity;
(d) the party is a member of the key management personnel of the Group;
(e) the party is a close member of the family of any individual referred to in (a) or (d); or
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(z) Profit distribution

Profit distribution between the unrestricted account holders (investment, saving and Wakala accounts) and the Shareholders, is according to the instructions of the Bank's Internal Shariah Supervision Committee.

Net income realised from Mudaraba Pool, at the end of each quarter, represents the net profit available for distribution. Net profit available for distribution between unrestricted account holders and shareholders is calculated after deducting the Mudarib share as per the agreed and declared percentage.

Profit Distribution is on a pro rata-basis of the weighted average balances of unrestricted customers' accounts and Shareholders' funds. No priority is given to either party in the Mudaraba Pool.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Zakat

The Bank discharges Zakat (Alms) as per its Articles of Association. The Bank calculates Zakat based on the guidance of its Internal Shariah Supervision Committee as follows:

• Zakat is calculated as per the Net Investment Asset method.
• Zakat is disbursed to Shariah channels through a committee formed by the management.

(ab) Profit equalization reserve

Profit equalization reserves are amounts appropriated out of the common mudaraba pool's income, before allocating the mudarib share, in order to maintain a certain level of return on investments for all the investment accountholders and other investors in the common mudaraba pool.

(ac) Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Internal Sharia Supervision Committee. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance

(ad) Revenue recognition

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group also operates a rewards programme which allows customers to accumulate points when they purchase products on the Group's credit cards. The points can then be redeemed for shopping rewards, cash back or air miles, subject to a minimum number of points being obtained.

(ae) IBOR Transition (Profit Rate Benchmark Reforms)

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The areas impacted by the reforms include application of practical expedient for accounting for modifications to financial instruments that are measured at other than fair value through profit or loss when transactions are updated for the new Risk Free Rate (RFR) rates (will not result in derecognition), relief on changes to hedge designations and hedge documentation (a change to hedge designations and hedge documentation required by IBOR reform would not result in discontinuation of hedge accounting) and providing disclosures that enable users to understand nature and extent of risks arising from profit rate benchmark reform to which the Group is exposed and how it manages those risks. The amendments are applied retrospectively with no restatement required for prior periods.

As a result of the Phase 2 reforms, when the contractual terms of non-derivative financial instruments have been amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change), the Group changes the basis for determining the contractual cash flows prospectively by revising the effective profit rate updated to reflect the change in an profit rate benchmark from IBOR to Risk Free Rate (RFR) without adjusting the carrying amount. If additional changes are made, which are not economically equivalent, the applicable requirements of IFRS 9 are applied to the additional changes.

The Group is primarily exposed to GBP and USD LIBOR which are subject to the profit rate benchmark reform. The exposures arise on Shariah compliant derivatives and non-derivative financial assets and liabilities.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) IBOR Transition (Profit Rate Benchmark Reforms) (continued)

Summary of transition

The table below shows the Group's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future. The table below excludes the exposures that will expire before the transition.

31 December 2022 **in AED 000**	**Non-derivative financial assets – carrying value**	**Non-derivative financial liabilities – carrying value**	**Islamic derivatives Nominal amount**
LIBOR USD (1 month)	-	-	-
LIBOR USD (3 months)	1,503,078	-	448,605
LIBOR USD (6 months)	602,247	-	4,616
LIBOR USD (12 months)	-	-	-
Cross currency swaps			
Cross Currency USD	-	-	286,684

The Group closely monitors the market and the output from the various industry working groups managing the transition to new benchmark interest rates. GBP LIBOR has already transitioned to SONIA and management continues to run the project on the Group's transition activities on USD LIBOR to SOFR and engages with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

GBP LIBOR discontinued from 1 January 2022. USD LIBOR will discontinue from 30 June 2023.

(af) Corporation tax in UAE

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

As the Group's accounting year ends on 31 December, accordingly the effective implementation date for the Group will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The CT Law confirms the rate of 9% to be applied to taxable income exceeding a specified threshold. The Group may be subject to application of Global Minimum Tax rate of 15% which is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) - Pillar Two rules by the countries where the Group operates and a top-up tax regime by UAE MOF.

8 STANDARDS ISSUED BUT NOT YET ADOPTED

Certain new standards (IFRS 17 *"Insurance Contracts"*), amendments to standards and interpretations (annual improvements to IFRS, amendments to IAS 1, IAS 8 and IAS 12) are not yet effective for the year ended 31 December 2022, with the Group not opting for early adoption.

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

9 CASH AND DEPOSITS WITH THE CENTRAL BANK OF THE UAE

	2022 AED 000	2021 AED 000
Cash	517,586	485,196
Statutory and other deposits with the Central Bank of the UAE	4,321,753	2,799,354
Murabaha with the Central Bank of the UAE	7,186,947	7,403,616
	12,026,286	10,688,166

The reserve requirements which are kept with Central Bank of the UAE are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserves required changes periodically in accordance with the directives of the Central Bank of UAE.

10 DUE FROM BANKS

31 December 2022	Local (UAE) AED 000	Foreign AED 000	Total AED 000
Time	1,072,824	2,594,301	3,667,125
Overnight, call and short notice	677,513	278,938	956,451
Gross due from banks	1,750,337	2,873,239	4,623,576
Less: Expected credit losses			(9,100)
			4,614,476

31 December 2021	Local (UAE) AED 000	Foreign AED 000	Total AED 000
Time	575,826	2,097,804	2,673,630
Overnight, call and short notice	79	99,308	99,387
Gross due from banks	575,905	2,197,112	2,773,017
Less: Expected credit losses			(4,299)
			2,768,718

11 INVESTMENT SECURITIES

	Domestic*	Regional**	International***	Total
31 December 2022	AED 000	AED 000	AED 000	AED 000
DESIGNATED AS AT FVTPL				
Equity	106,600	64,182	-	170,782
Others	-	-	116	116
	106,600	64,182	116	170,898
MEASURED AT AMORTISED COST				
Government Sukuk	114,469	902,379	-	1,016,848
Corporate Sukuk	-	-	243,553	243,553
	114,469	902,379	243,553	1,260,401
Less: Expected credit losses				(491)
				1,259,910
MEASURED AT FVOCI				
Government Sukuk	-	80,730	449,653	530,383
Corporate Sukuk	3,148,834	858,405	1,416,828	5,424,067
	3,148,834	939,135	1,866,481	5,954,450
Less: Expected credit losses				(29,387)
				5,925,063
Gross investment securities	3,369,903	1,905,696	2,110,150	7,385,749
Net investment securities				7,355,871

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East.
***International: These are securities issued outside the Middle East.

11 INVESTMENT SECURITIES (CONTINUED)

	Domestic*	Regional**	International***	Total
31 December 2021	AED 000	AED 000	AED 000	AED 000
DESIGNATED AS AT FVTPL				
Equity	41,135	108,723	-	149,858
Others	2,267	-	725	2,992
	43,402	108,723	725	152,850
MEASURED AT AMORTISED COST				
Government Sukuk	114,833	819,175	-	934,008
Corporate Sukuk	-	92,404	82,674	175,078
	114,833	911,579	82,674	1,109,086
Less: Expected credit losses				(3,568)
				1,105,518
MEASURED AT FVOCI				
Government Sukuk	-	85,191	184,295	269,486
Corporate Sukuk	3,426,911	858,738	882,874	5,168,523
	3,426,911	943,929	1,067,169	5,438,009
Less: Expected credit losses				(11,799)
				5,426,210
Gross investment securities	3,585,146	1,964,231	1,150,568	6,699,945
Net investment securities				6,684,578

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East.
***International: These are securities issued outside the Middle East.

12 FINANCING RECEIVABLES

	2022 AED 000	2021 AED 000
At Amortised Cost		
Murabaha	32,616,411	29,956,988
Credit cards receivable	2,287,312	1,646,713
Wakala	364,502	208,386
Istissna'a	1,306,557	873,178
Ijara	17,820,042	15,581,507
Others	115,001	76,797
	54,509,825	48,343,569
Less: Deferred income	(1,428,178)	(1,310,471)
Gross financing receivables	53,081,647	47,033,098
Less: Expected credit losses	(4,712,669)	(4,419,074)
Net financing receivables	48,368,978	42,614,024
Total of impaired financing receivables	3,692,074	3,843,720

	2022 AED 000	2021 AED 000
By Business Units		
Corporate banking	20,768,213	18,393,855
Retail banking	32,313,434	28,639,243
	53,081,647	47,033,098

Ijara assets amounting to AED 2.3 billion [2021: AED 2.3 billion] were securitised for the purpose of issuance of Sukuk liability (refer note 16).

Allowances of impairment on financing receivables have been disclosed in further detail in note 36 I.

13 OTHER ASSETS

	2022	2021
	AED 000	AED 000
Profit receivable	153,644	134,705
Prepayments and other advances	96,871	18,696
Sundry financing and other receivables	14,924	12,744
Deferred sales commission	21,852	23,838
Goods available-for-sale	77,855	80,509
Others	395,247	394,249
	760,393	664,741

14 DUE TO BANKS

	2022	2021
	AED 000	AED 000
Demand and call deposits	42,636	60,245
Time and other deposits	1,837,445	2,488,187
	1,880,081	2,548,432

The profit paid on the above averaged 1.50% p.a. (2021: 0.07% p.a).

15 CUSTOMER DEPOSITS

(a)	By Type	2022 AED 000	2021 AED 000
	Demand, call and short notice	24,921,802	21,864,782
	Wakala	13,028,063	8,237,704
	Time deposits	1,861,928	2,206,960
	Savings	15,957,744	14,650,042
	Others	574,118	309,573
		56,343,655	47,269,061

(b)	By Business Units	2022 AED 000	2021 AED 000
	Corporate banking	12,874,573	9,201,462
	Retail banking	43,469,082	38,067,599
		56,343,655	47,269,061

The profit rates paid on the above deposits averaged 0.50% p.a. (2021: 0.27% p.a.).

16 SUKUK PAYABLE

a) The Group issued sukuk amounting to AED 3.7 billion during 2020 and 2021 to raise US Dollar denominated medium term finance via a Shariah compliant sukuk financing arrangement. As at 31 December 2022, the total outstanding sukuk payable is AED 3.7 billion.

Following are the details of all the sukuk financing arrangement in issue.

Issue Date	Amount (USD)	Listing	Profit rate (%)	Payment basis	Maturity
September 2020	500,000,000	Irish Stock Exchange & Nasdaq	1.827	Semi annual	September 2025
October 2021	500,000,000	Irish Stock Exchange & Nasdaq	2.082	Semi annual	November 2026

The Bank transferred certain identified Ijara assets totaling to AED 2.3 billion (the “co-owned assets”) to its subsidiary, EIB Sukuk company limited – (the “Issuer”), a special purpose vehicle formed for the issuance of these sukuk. For Sukuk issued during 2020 and 2021, the Bank has further entered into a Murabaha with the Sukukholders for an amount of AED 1.5 billion. This medium term finance is carried at amortised cost.

In substance, the co-owned assets remain in control of the Group; accordingly, these assets continue to be recognised by the Group. In case of any default, the Group has provided an undertaking to make good all losses to the sukuk holders. The assets are in the control of the Group and shall continue to be serviced by the Group.

The Issuer will pay a semi-annual distribution amount from returns received in respect of the co-owned assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the sukuk holders on the semi-annual distribution dates. Upon maturity of the sukuk, the Group has undertaken to repurchase the assets at the exercise price.

	2022 AED 000	2021 AED 000
Balance as at 1 January	3,672,500	5,510,933
Issuances	-	1,836,250
Repayments	-	(3,672,500)
Other movements	-	(2,183)
Balance at 31 December	3,672,500	3,672,500

As at 31 December 2022, the outstanding Sukuk payable totaling AED 3,673 million (31 December 2021: AED 3,673 million) is falling due as below:

	2022 AED 000	2021 AED 000
2025	1,836,250	1,836,250
2026	1,836,250	1,836,250
	3,672,500	3,672,500

b) On 15 May 2015, EI Funding Limited (the “SPE”) was incorporated under Companies Law of Cayman Islands as a Special Purpose Entity. The principal activities of the company are to purchase portfolio of assets through issuance of notes. The securitization will result in a certificate pool that will be listed on the NASDAQ clearing system (off market) for private-purpose, over-the-counter dealing. The underlying Shariah structure has been approved by the Bank’s Internal Shariah Supervision Committee.

The Bank has transferred part of its investment portfolio to EI Funding Limited (incorporated under Cayman Islands laws). However, the Group retains control over the transferred assets and hence the Group continues to recognize these assets as financing and the investment assets.

17 OTHER LIABILITIES

	2022 AED 000	2021 AED 000
Profit payable to depositors	141,374	41,996
Staff related liabilities	158,055	153,622
Managers' cheques	504,412	325,821
Trade and other payables	333,159	353,197
Zakat payable	44,065	41,652
Others	1,310,732	1,033,325
	2,491,797	1,949,613

18 ISSUED CAPITAL AND SHARE PREMIUM RESERVE

	2022 AED 000	2021 AED 000
Authorized Share Capital		
10,000,000,000 (2021: 10,000,000,000) ordinary shares of AED 1 each (2021: AED 1 each)	10,000,000	10,000,000
Issued and fully paid up capital		
5,430,422,000 (2021: 5,430,422,000) ordinary shares of AED 1 each (2021: AED 1 each)	5,430,422	5,430,422

19 RESERVES

Legal and statutory reserve

In accordance with the Bank's Articles of Association, and in compliance with Decretal Federal Law No. (14) of 2018, a minimum of 10% of profit should be transferred to a non-distributable legal and statutory reserve until such time as this reserve equals 50% of the Bank's issued capital.

Other reserve

10% of the profit is also transferable to a non-distributable regular reserve until such time as this reserve equals 10% of the Bank's issued capital. Since the regular reserve is equal to 10% of the Bank's issued capital, profit was not appropriated to the regular reserve during the year.

	Legal and statutory reserve AED 000	Other reserves AED 000	Total AED 000
At 1 January 2022	691,025	543,043	1,234,068
Transfer from retained earnings*	124,014	-	124,014
At 31 December 2022	815,039	543,043	1,358,082

*Prior year comparatives are shown in the consolidated statement of changes in equity.

Fair value reserve

Fair value reserve includes the net change in fair value of FVOCI financial assets.

20 INCOME FROM FINANCING RECEIVABLES AND INVESTMENT PRODUCTS

	2022	2021
	AED 000	AED 000
Financing receivables		
- Murabaha	1,441,439	1,012,978
- Ijara	650,488	450,317
- Istisna'a	39,329	40,199
Investment securities measured at FVOCI	174,150	141,687
Investment securities measured at amortised cost	34,579	37,451
Others	355,335	257,713
	2,695,320	1,940,345

21 DISTRIBUTION ON DEPOSITS AND PROFIT PAID TO SUKUK HOLDERS

	2022	2021
	AED 000	AED 000
Distribution to depositors	286,127	135,749
Profit paid to sukuk holders	73,934	93,407
	360,061	229,156

Distribution on deposits represents the share of income between depositors and equity holders. The allocation and distribution to depositors is approved by the Internal Shariah Supervision Committee.

Profit paid to sukuk holders represents the distribution of returns received in respect of assets transferred to the EIB Sukuk Company Limited which was specifically formed for this transaction.

22 FEE AND COMMISSION INCOME

	2022	2021
	AED 000	AED 000
Commission income	71,353	60,224
Fee income	758,177	665,960
Total fee and commission income	829,530	726,184

23 OTHER OPERATING INCOME

	2022	2021
	AED 000	AED 000
Dividend income on equity investments measured at FVTPL	10,147	5,973
Gain from sale of sukuk measured at FVOCI	1,056	267
Gain / (loss) from investment securities designated at fair value through profit or loss	22,417	(3,285)
Rental income (net of depreciation)	2,396	(443)
Gain / (loss) on sale of properties (investment properties / inventories)	11,544	-
Foreign exchange and Islamic derivative income / (loss)*	340,631	281,837
Other income (net)	3,471	33,183
	391,662	317,532

*Foreign exchange income comprises translation gain and gain on dealings with customers.

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	AED 000	AED 000
Staff cost	594,832	480,172
Recharges from group companies	351,699	288,124
Depreciation	86,939	87,397
Others*	505,550	335,407
	1,539,020	1,191,100

*Others include occupancy, communication, marketing, equipment and supplies, legal and other expenses.

25 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

The charge to the income statement for the net impairment loss on financial assets is made up as follows:

	2022 AED 000	2021 AED 000
Net impairment of due from banks	4,802	(12,198)
Net impairment of investment securities	14,509	(16,425)
Net impairment of financing receivables (refer note 36 I)	587,296	593,079
Net impairment of unfunded exposures	(393)	(57,532)
Bad financing written off / (recovery) - net	(204,653)	(174,478)
Net impairment loss on financial assets	401,561	332,446

26 DIRECTORS FEES

This comprises of fees payable to the directors of the Group of AED 7 million (2021: AED 7 million).

27 EARNINGS PER SHARE

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, if any.

	2022	2021
Net profit for the year (AED '000)	1,240,144	823,085
Weighted average number of ordinary shares in issue ('000)	5,430,422	5,430,422
Earnings per share* (AED)	0.228	0.152

*The diluted and basic EPS were the same at the year end.

28 ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2022

	Positive fair value	Negative fair value	Notional amount	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	3,534	(2,524)	5,020,278	2,983,492	2,036,786	-	-	-
Foreign exchange options	3,505	(3,612)	136,799	28,303	51,889	56,607	-	-
Profit rate swaps/caps	177,079	(185,364)	9,419,651	-	299,238	2,719,659	3,312,199	3,088,555
Total	184,118	(191,500)	14,576,728	3,011,795	2,387,913	2,776,266	3,312,199	3,088,555

31 December 2021

	Positive fair value	Negative fair value	Notional amount	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	3,152	(1,328)	2,144,139	380,013	794,061	13,451	586,971	369,643
Foreign exchange options	1,902	(1,993)	208,467	5,105	50,203	137,843	15,316	-
Profit rate swaps/caps	113,322	(123,294)	12,266,731	3,863,901	2,038,457	473,644	5,345,519	545,210
Total	118,376	(126,615)	14,619,337	4,249,019	2,882,721	624,938	5,947,806	914,853

28 ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group and potential future fluctuations. All credit exposure is managed under approved facilities and in certain cases collateralized. The Group takes a Credit Value Adjustment (CVA) on outstanding derivative transactions. The methodology for CVA calculation relies on three components: the probability of default of the counterparty, the expected positive exposure and the recovery rate. CVA is computed on all asset classes including Foreign Exchange and Profit Rates.

29 OPERATING SEGMENTS

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

Corporate and institutional banking

Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits.

Retail banking and wealth management

Retail segment provides a wide range of products and services to individuals and small and medium enterprises and accepts their deposits.

Treasury

Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations, and brokerage services.

Others

Other operations of the Group include operations and support functions.

29 OPERATING SEGMENTS (CONTNUED)

31 December 2022	Corporate and institutional banking	Retail banking and wealth management	Treasury	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Net income from financing and investment products	480,201	1,524,549	153,211	177,298	2,335,259
Net fees, commission & other income	157,800	641,137	34,804	13,025	846,766
Total operating income	638,001	2,165,686	188,015	190,323	3,182,025
General administrative and other expenses	(79,617)	(795,608)	(19,817)	(643,978)	(1,539,020)
Net impairment loss	(96,427)	(290,411)	(15,152)	(871)	(402,861)
Net profit/(loss) for the year	461,957	1,079,667	153,046	(454,526)	1,240,144
Segment Assets	22,756,036	35,742,529	15,961,677	303,476	74,763,718
Segment Liabilities and Equity	14,579,936	45,415,535	1,138,899	13,629,348	74,763,718

29 OPERATING SEGMENTS (CONTNUED)

31 December 2021	Corporate and institutional banking	Retail banking and wealth management	Treasury	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Net income from financing and investment products	343,745	1,338,867	12,210	16,367	1,711,189
Net fees, commission & other income	138,459	526,559	23,318	(1,530)	686,806
Total operating income	482,204	1,865,426	35,528	14,837	2,397,995
General administrative and other expenses	(74,539)	(690,245)	(20,630)	(405,686)	(1,191,100)
Net impairment loss	(144,704)	(216,939)	30,024	(52,191)	(383,810)
Net profit/(loss) for the year	262,961	958,242	44,922	(443,040)	823,085
Segment Assets	19,316,816	30,932,700	14,316,369	338,520	64,904,405
Segment Liabilities and Equity	10,422,561	39,663,574	894,332	13,923,938	64,904,405

30 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

	2022 AED 000	2021 AED 000
Letters of credit	648,689	477,237
Guarantees	5,461,759	4,565,004
Liability on risk participations	-	123,001
Irrevocable financing commitments*	1,489,294	1,788,982
	7,599,742	6,954,224

*Irrevocable financing commitments represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to draw down have to be fulfilled the total contract amounts do not necessarily represent exact future cash requirements.

The table below summarizes the stage wise balances of unfunded exposures and customer acceptances and ECL thereon:

AED 000	31 December 2022		31 December 2021	
	Stage 1	Stage 2	Stage 1	Stage 2
Unfunded exposures	7,923,217	600,368	7,353,313	388,111
ECL on unfunded exposures	19,201	52	19,470	177

Unfunded exposure includes guarantees, standby letter of credits and irrevocable financing commitments.

(a) Acceptance

Under IFRS 9, acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there is no off balance sheet commitment for acceptances.

(b) Capital Commitments

The Group has commitments as at 31 December 2022 for branch refurbishments and automation projects of AED 9.7 million (2021: AED 17.2 million).

31 RELATED PARTY TRANSACTIONS

The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (55.75%). The Government of Dubai is the major shareholder in Investment Corporation of Dubai.

Customer accounts from and financing to Government related entities, other than those that have been individually disclosed, amount to 16.0% and 4.0% (2021: 9.9% and 3.9%) of the total customer's deposits and financing receivables of the Group, respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on normal commercial terms.

The Group has also entered into transactions with certain other related parties who are non-government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the period with key management personnel and their immediate relations at the year end.

Related party balances and transactions are carried out on normal commercial terms and are as follows:

	2022 AED 000	2021 AED 000
Financing and other receivables		
To parent and related companies	971,157	265,997
To directors and related companies	8,671	8,139
To key management personnel and affiliates	164	3,287
	979,992	277,423
Customer deposits and other payables		
From ultimate parent company	183,635	10
From parent and related companies	1,505,156	1,943,970
From directors and related companies	161	107
From key management personnel and affiliates	17,847	9,494
	1,706,799	1,953,581
Investment securities and derivatives		
Investment in ultimate parent company	191,577	202,953
Positive fair value of derivative - Parent and related companies	103,257	64,747
Negative fair value of derivative - Parent and related companies	(81,130)	(70,862)
Notional amount of derivative - Parent and related companies	9,725,512	10,748,427
Group Consolidated Income Statement		
Recharges from group companies	(351,699)	(288,124)
Income from investment in ultimate parent company	6,443	5,733
Income on financing receivables		
From parent and related companies	12,527	5,846
Distribution on deposits		
To ultimate parent company	4,061	1,581
To parent and related companies	8,591	10

31 RELATED PARTY TRANSACTIONS (CONTINUED)

The total amount of compensation paid to key management personnel of the Group during the year was as follows:

	2022 AED 000	2021 AED 000
Key management compensation		
Short term employee benefits	18,770	17,399
Post employment benefits	2,581	2,475

32 GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES

The Group's financial position, before taking into account any collateral held or other credit enhancement, can be analysed by the following regions:

31 December 2022	UAE AED 000	Other GCC AED 000	International AED 000	Total AED 000
ASSETS				
Cash and deposits with the Central Bank of the UAE	12,026,286	-	-	12,026,286
Due from banks	1,741,237	566,044	2,307,195	4,614,476
Investment securities	3,350,752	1,903,631	2,101,488	7,355,871
Financing Receivables	45,760,022	1,521,522	1,087,434	48,368,978
Positive fair value of Islamic derivatives	184,118	-	-	184,118
Customer acceptances	923,843	-	-	923,843
Investment properties	280,547	-	-	280,547
Property and equipment	249,206	-	-	249,206
Other assets	760,393	-	-	760,393
TOTAL ASSETS	**65,276,404**	**3,991,197**	**5,496,117**	**74,763,718**
LIABILITIES				
Due to banks	1,410,407	269,742	199,932	1,880,081
Customer deposits	55,596,057	278,346	469,252	56,343,655
Sukuk payable	3,672,500	-	-	3,672,500
Negative fair value of Islamic derivatives	191,500	-	-	191,500
Customer acceptances	923,843	-	-	923,843
Other liabilities	2,491,797	-	-	2,491,797
Total equity	9,260,342	-	-	9,260,342
TOTAL LIABILITIES AND EQUITY	**73,546,446**	**548,088**	**669,184**	**74,763,718**
Geographical distribution of letters of credit and guarantees	5,920,252	124,134	66,062	6,110,448

31 December 2021				
Geographical distribution of assets	57,671,877	4,743,917	2,488,611	64,904,405
Geographical distribution of liabilities and equity	63,870,730	593,407	440,268	64,904,405
Geographical distribution of letters of credit and guarantees	5,021,610	-	20,631	5,042,241

33 FINANCIAL ASSETS AND LIABILITIES

A. Classification of financial assets and financial liabilities

The table below sets out the Group’s classification of each class of financial assets and liabilities, and their carrying values.

31 December 2022	FVTPL	FVOCI	Amortised cost*	Total carrying value
	AED 000	AED 000	AED 000	AED 000
Financial assets				
Cash and deposits with the Central Bank of the UAE	-	-	12,026,286	12,026,286
Due from banks	-	-	4,614,476	4,614,476
Investment securities	170,898	5,925,063	1,259,910	7,355,871
Financing receivables	-	-	48,368,978	48,368,978
Positive fair value of Islamic derivatives	184,118	-	-	184,118
Others	-	-	1,487,658	1,487,658
	355,016	5,925,063	67,757,308	74,037,387
Financial liabilities				
Due to banks	-	-	1,880,081	1,880,081
Customer deposits	-	-	56,343,655	56,343,655
Sukuk payable	-	-	3,672,500	3,672,500
Negative fair value of Islamic derivatives	191,500	-	-	191,500
Others	-	-	3,415,640	3,415,640
	191,500	-	65,311,876	65,503,376

*The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

33 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

A. Classification of financial assets and financial liabilities (continued)

31 December 2021	FVTPL	FVOCI	Amortised cost*	Total carrying value
	AED 000	AED 000	AED 000	AED 000
Financial assets				
Cash and deposits with the Central Bank of the UAE	-	-	10,688,166	10,688,166
Due from banks	-	-	2,768,718	2,768,718
Investment securities	152,850	5,426,210	1,105,518	6,684,578
Financing receivables	-	-	42,614,024	42,614,024
Positive fair value of Islamic derivatives	118,376	-	-	118,376
Others	-	-	1,328,898	1,328,898
	271,226	5,426,210	58,505,324	64,202,760
Financial liabilities				
Due to banks	-	-	2,548,432	2,548,432
Customer deposits	-	-	47,269,061	47,269,061
Sukuk payable	-	-	3,672,500	3,672,500
Negative fair value of Islamic derivatives	126,615	-	-	126,615
Others	-	-	2,736,813	2,736,813
	126,615	-	56,226,806	56,353,421

* The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

33 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

B. Fair value of financial instruments

The table below analyses financial instruments measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2022	AED 000	AED 000	AED 000	AED 000
Investment securities				
FVOCI				
Government sukuk	522,128	-	-	522,128
Corporate sukuk	5,402,935	-	-	5,402,935
	5,925,063	-	-	5,925,063
Designated at FVTPL				
Equity	-	106,600	64,182	170,782
Others	-	-	116	116
	-	106,600	64,298	170,898
Positive fair value of islamic derivatives	-	184,118	-	184,118
Negative fair value of islamic derivatives	-	(191,500)	-	(191,500)
	5,925,063	99,218	64,298	6,088,579

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL
	AED 000
Balance as at 1 January 2022	150,583
Total gains or losses:	
- in profit or loss	(49,650)
Transfers out of level 3	(36,635)
Settlements and other adjustments	-
Balance as at 31 December 2022	64,298

33 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

B. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
31 December 2021	AED 000	AED 000	AED 000	AED 000
Investment securities				
FVOCI				
Government sukuk	269,067	-	-	269,067
Corporate sukuk	5,157,143	-	-	5,157,143
	5,426,210	-	-	5,426,210
Designated at FVTPL				
Equity	-	-	149,858	149,858
Others	2,267	-	725	2,992
	2,267	-	150,583	152,850
Positive fair value of Islamic derivatives	-	118,376	-	118,376
Negative fair value of Islamic derivatives	-	(126,615)	-	(126,615)
	5,428,477	(8,239)	150,583	5,570,821

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL
	AED 000
Balance as at 1 January 2021	159,647
Total gains or losses:	
- in profit or loss	(8,849)
Transfers out of level 3	-
Settlements and other adjustments	(215)
Balance as at 31 December 2021	150,583

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment’s fair value is estimated on the basis of an analysis of the investee’s financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2022 and 31 December 2021.

34 NOTES TO THE GROUP CONSOLIDATED CASH FLOW STATEMENT

	2022 AED 000	2021 AED 000
(a) Analysis of changes in cash and cash equivalents during the year		
Balance at beginning of year	56,430	2,629,593
Net cash inflow/(outflow)	7,040,889	(2,573,163)
Balance at end of year	7,097,319	56,430
(b) Analysis of cash and cash equivalents		
Cash and deposits with the Central Bank of the UAE	12,026,286	10,688,166
Due from banks	4,623,576	2,773,017
Due to banks	(1,880,081)	(2,548,432)
	14,769,781	10,912,751
Less : Deposits with Central Bank for regulatory purposes	(3,013,129)	(2,727,438)
Less : Murabaha with Central Bank maturing after three months	(2,580,486)	(5,503,224)
Less : Amounts due from banks maturing after three months	(2,232,793)	(2,625,659)
Add : Amounts due to banks maturing after three months	153,946	-
	7,097,319	56,430
(c) Adjustment for non cash and other items		
Impairment loss / (reversal) on due from banks / other assets	4,802	(12,198)
Impairment loss / (reversal) on investment securities	14,509	(16,425)
Impairment loss on financing receivables	587,296	593,079
Impairment loss on unfunded exposures	(393)	(57,532)
Dividend income on equity investments	(10,147)	(5,973)
Depreciation / impairment on property and equipment / investment properties	101,047	154,805
Unrealized (gain) / loss on investments	(101,212)	7,087
(Gain) / loss on sale of properties (investment properties / inventories)	(11,544)	-
Sukuk premium amortization	-	(2,183)
	584,358	660,660

35 CAPITAL MANAGEMENT AND ALLOCATION

The CBUAE supervises the Group on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Effective from 2017, the capital is computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision (Basel Committee), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three pillars: minimum capital requirements, supervisory review process and market discipline.

Minimum Capital Requirements

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital.

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

Regulatory Capital

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.

- AT1 capital comprises eligible non-common equity capital instruments. The Group does not have AT1 capital at the end of reporting period.

- T2 capital comprises qualifying subordinated financing, and undisclosed reserve.

35 CAPITAL MANAGEMENT AND ALLOCATION (CONTINUED)

The capital overview as per Basel III framework is given below:

	2022 AED 000	2021 AED 000
Available capital		
Common equity tier 1 capital	9,427,854	8,489,170
Tier 1 capital	9,427,854	8,489,170
Total eligible capital	10,033,965	9,010,133
Risk-weighted assets		
Credit risk	48,488,869	41,677,075
Market risk	84,066	61,961
Operational risk	4,196,721	3,919,991
Total risk-weighted assets	52,769,656	45,659,027

Capital Ratio	2022	2021
a. Total capital ratio for consolidated Group	19.01%	19.73%
b. Tier 1 ratio only for consolidated Group	17.87%	18.59%
c. CET1 ratio only for consolidated Group	17.87%	18.59%

35 CAPITAL MANAGEMENT AND ALLOCATION (CONTINUED)

The capital adequacy ratios as per Basel III capital regulation are given below:

	2022 AED 000	2021 AED 000
Common Equity Tier 1 (CET1) Capital		
Share Capital	5,430,422	5,430,422
Eligible reserves	982,607	1,284,644
Transitional arrangement: Partial addback of ECL impact to CET1	209,588	-
Retained earnings / (-) loss	2,847,314	1,774,104
CET1 capital before the regulatory adjustments and threshold deduction	**9,469,931**	**8,489,170**
Less: Regulatory deductions	(42,077)	-
Total CET1 capital after the regulatory adjustments and threshold deduction	**9,427,854**	**8,489,170**
Total CET1 capital after transitional arrangement for deductions (CET1) (A)	**9,427,854**	**8,489,170**
Additional Tier 1 (AT1) Capital		
Eligible AT1 capital	-	-
Other AT1 Capital (e.g. Share premium, non-controlling interest)	-	-
Total AT1 capital	**-**	**-**
Total AT1 capital after transitional arrangements (AT1) (B)	**-**	**-**
Tier 2 (T2) Capital		
Other Tier 2 capital (including General Provisions, etc.)	606,111	520,963
Total T2 Capital	**606,111**	**520,963**
Total T2 capital after transitional arrangements (T2) (C)	**606,111**	**520,963**
Total Regulatory Capital (A+B+C)	**10,033,965**	**9,010,133**

36 RISK MANAGEMENT

The primary risks to the Group arise from extending credit to corporate and institutional banking and retail banking and wealth management customers. The Group is also exposed to a range of other risk types such as market, operational, liquidity, compliance, reputational, country, market conduct risk and legal that drive the direction of its risk management strategy, product range and risk diversification strategies.

Group Risk Management Framework (GRMF):

The GRMF enables the Group to manage group-wide risks with the objective of maximizing returns while adhering to our risk appetite.

The Group uses a three lines of defense model to support its approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities. The three lines of defense are summarized below:

- Business units: required to ensure the effective management of risks within the scope of their direct organizational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities.

- Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Group's risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the management chain.

- Group Internal Audit: provides independent assurance and reports its findings to all relevant management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.

A. Risk governance

The risk governance structure of the group ensures central oversight and control with clear accountability for and ownership of risk.

The Board of Directors (the Board) has the ultimate responsibility for setting Group's risk appetite and for the establishment and oversight of the Group's risk management framework. This is managed through a number of committees; namely Board Risk Committee (BRC), Board Credit & Investment Committee (BCIC) and Board Audit Committee (BAC). The management level committees also actively manage risk particularly the Group Risk Committee (GRC), Management Credit Committee (MCC), Management Investment Committee (MIC) and Asset Liability Management Committee (ALCO).

36 RISK MANAGEMENT (CONTINUED)

A. Risk governance (continued)

BRC comprises of members of the Board and is responsible for risk oversight responsibilities of the Board with regards to risk governance, risk appetite and the risk management framework.The BRC receives reports on risk management including portfolio trends, policies and standards, stress testing, liquidity and capital adequacy and is authorized to investigate or seek any information relating to any activity within its terms of reference.

BCIC supports the Board to manage the credit and investment portfolios of the Bank and is responsible for approval of credit and investment decisions above the MCC and MIC's authority. It oversees the execution of Group's credit risk management and reviews the credit profile of material portfolios to ensure that it is aligned with business strategy and risk appetite.

The primary role BAC is to have oversight and review of financial, audit and internal control issues as well as oversee the independence and performance of group's external and internal auditors.

MCC is management level committee which carries out credit facilities decisions including but not limited to approval and renewal of credit facilities, review and monitor portfolio performance in line with the credit risk strategy, decisions on debt settlement, provisioning write off and amendments to pricing, grades and waiver.

The role of the MIC is to support the Board in the management of the Investment Portfolios of the Group to ensure they conform to the strategic vision of the same and support the Board in monitoring and reporting the performance of these portfolios.

The ALCO is responsible for balance sheet management and quality of the funding plan as well as the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and profit rate risk. The committee also approves the contingency funding plan as well as the funds transfer pricing among other things.

The GRC is responsible for the management of all risks other than those delegated to MCC, MIC and ALCO and ensures the effective management of risk throughout the group in support of the group's business strategy and group's risk appetite. The committee approves risk policies and analytical models to ensure effective management of credit, market, operational, business continuity and reputational, compliance, market conduct risk and legal and other risks confronting the group.

B. The risk function

The GRMF is managed by the Enterprise and Regulatory Risk. The function is independent of the business (origination, trading and sales functions) to ensure that the necessary balance in risk/return decisions is not compromised by pressures for better results in terms of revenues and to ensure transparency of decisions in accordance with group standards and policies.

Group Risk assists in controlling and actively managing the Group's overall risk profile. The role of the function is:

- To ensure the risk management framework is effectively communicated and implemented across the Group and is appropriate to the Group's activities;
- To exercise direct ownership for various risk types including but not limited to credit, market, country, operational, reputational risks;
- To ensure that the Group's business strategies, risk policies, procedures and methodologies are consistent with the Group's risk appetite;
- To ensure the integrity of the Group's risk/return decisions guaranteeing their transparency;
- To ensure that appropriate risk management architecture and systems are developed and implemented.

36 RISK MANAGEMENT (CONTINUED)

C. Risk appetite

The Group Risk Appetite Statement (Group RAS) is an articulation of the risk that the Group would be willing to accept, underwrite and/or be exposed to in the normal course of its business conduct.

The Group RAS is a critical component and extension of the GRMF. It is a mechanism used by the Group to proactively establish and subsequently monitor the group's risk profile using a set of pre-defined key risk metrics and respective thresholds.

D. Credit risk

Credit risk is the risk of financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligation to the Group. Credit risk arises mainly from interbank, corporate and institutional banking and retail banking and wealth management receivables, and financing commitments arising from such financing activities, but can also arise from credit enhancement provided, such as financial guarantees, letter of credit, endorsement and acceptances.

The Group is also exposed to other credit risks arising from investments in financing securities (sukuk) and other exposures arising from derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk management

Group's approach to credit risk management is based on the foundation of independence and integrity of risk management. This is ensured through a well-defined and robust organisation structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework.

The Group's credit policy focuses on the core credit principles, financing guidelines and parameters, control and monitoring requirements, problem financing receivable identification, management of high risk counterparties and provisioning. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Portfolio performance is periodically measured against RAS parameters and breaches, if any, are actioned by the Group's Executive Committee.

Corporate and institutional Banking, Business Bank and Private Banking credit risk management

Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

Management of Early Alert (EA), Watch List (WL) & Impaired Non Performing Financing Receivables (NPFR) - The Group has a well-defined process for identification of EA, WL & NPFR accounts and dealing with them effectively. There are policies which govern credit grading of EA, WL & NPFR accounts and impairment, in line with IFRS and regulatory guidelines.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk management (continued)

Retail banking credit risk management

The Group has a structured management framework for Retail banking risk management. The framework enables the Group in identification and evaluation of the significance of all credit risks that the Group faces, which may have an adverse material impact on its financial position.

In the retail banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to funding transactions.

The Group's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Group to prudently recognize impairment on its retail portfolios.

Model risk management and independent validation

The Group has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS 9 accounting standards.

To manage the model risks, the Group has implemented the Group Model Governance Framework (the Framework). The Framework is a group wide policy and is applicable to models in all entities and subsidiaries of the Group. According to the Framework, all internally or externally (vendor based) developed risk quantification models that directly affect financial reporting, including Expected Loss (EL), Lifetime Expected Loss (LEL) and Regulatory requirements require independent validation.

The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework must be approved by the Board of Directors or the BRC.

The Group has an independent Group Model Validation (GMV) function that performs independent model validation. It provides Fit-for-Purpose (FFP), Conditional Approval (CA) or Not Fit-for-Purpose (NFFP) recommendation for the BRC or an appropriately delegated authority to approve the use of the new risk quantification / valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process. The independency of the team enables it to serve as an effective second line of defense for the bank.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk management (continued)

Credit approving authorities

BCIC has delegated credit approving authorities to the MCC, MIC and members of senior management to facilitate and effectively manage the business. However, BCIC has retained the ultimate authority to approve credits beyond MCC authority.

Credit risk measurement

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

Credit risk grading

The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to various categories of counterparty. Obligor and financing receivable specific information collected at the time of facility application (such as disposable income, and level of collateral for retail exposure; and turnover and industry type considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated, such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the PD between a 1A and 2A rating grade is lower than the difference in the PD between a 3A and 4A rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail:

After the date of initial recognition, for retail business, the payment behavior of the obligor is monitored on a periodic basis to develop a behavioral score. Any other known information about the obligor which impacts their credit worthiness such as: unemployment and previous delinquency history is also incorporated into the behavior score. This score is mapped to a PD.

Corporate and institutional Banking, Business Banking and Private Banking:

Ratings are determined at the obligor level for these segments. A relationship manager incorporates any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the obligor every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Treasury:

For financing securities (sukuk) in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

The Group's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Group's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over the time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit-quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognized is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on Purchased or originated credit-impaired financial assets is measured on a lifetime basis.

Significant increase in credit risk
The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

Corporate and Institutional Banking, Business Banking and Private Banking:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date.

Retail:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:
The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:
The obligor is more than 90 days past due on its contractual payments.

Qualitative:
The obligor meets unlikeliness to pay criteria, which indicates the obligor is in significant financial difficulty. These are instances like long-term forbearance, obligor is insolvent, obligor is entering bankruptcy etc.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

Curing
The Group continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Group is observing a probationary period of a minimum of 4 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposures from Stage 3 to 2.

Measuring ECL- Explanations of input, assumptions and estimation techniques

ECL inputs (PD, EAD and LGD) are adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective profit rate or an approximation thereof.

The Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the financing receivable. The maturity profile is based on historical observed data.

The EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment financings, this is based on the contractual repayments owed by the obligor over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the obligor.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and other criteria's depending upon business segment. In addition, the final LGD is conditioned upon macro-economic outlook.

Forward looking economic information is also included in determining the 12 month and lifetime PD, EAD and LGD.

Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

Credit risk monitoring

Corporate and Institutional Banking, Business Banking and Private Banking: the Group's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

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

Group credit risk mitigation strategy

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

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

The risk transfer in the form of syndicated financings and risk participation agreements with other banks are globally accepted practices followed by the Group, where appropriate, to limit its exposure.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

Collateral management

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

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

Please refer to Pillar 3 disclosures for additional information on collaterals.

Write offs

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

Non performing consumer financing, except for mortgage facilities and home financing, are written off at 181 days past due. All receivables remain active on the financing management system for recovery and any legal strategy the Group may deem fit to use.

36 RISK MANAGEMENT (CONTINUED)

D. Analysis by economic activity for assets:

The Group monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

	2022		2021	
	Financing receivables	Others	Financing receivables	Others
Manufacturing	2,614,767	323,360	2,072,734	309,559
Construction	768,790	315,448	780,129	340,839
Trade	5,223,456	-	5,185,066	-
Transport and communication	83,295	977,126	886,282	961,034
Utilities and services	1,479,023	561,878	1,268,923	558,729
Sovereign	793,730	1,547,220	502,451	1,203,494
Personal	32,609,059	-	29,513,889	-
Real estate	3,832,212	-	2,255,453	43,402
Hotels and restaurants	91,214	-	33,564	-
Management of companies and enterprises	3,141,246	-	2,630,980	-
Financial institutions and investment companies	1,534,385	8,193,792	1,425,390	5,958,245
Others	2,338,648	90,488	1,788,708	97,660
Total Assets	54,509,825	12,009,312	48,343,569	9,472,962
Less: Deferred Income	(1,428,178)	-	(1,310,471)	-
Less: Expected credit loss	(4,712,669)	(38,978)	(4,419,074)	(19,666)
	48,368,978	**11,970,334**	**42,614,024**	**9,453,296**

Others includes due from banks and investment securities.

36 RISK MANAGEMENT (CONTINUED)

E. Classification of investment securities as per their external ratings

As of 31 December 2022

Ratings	Designated at FVTPL	FVOCI	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
AAA	-	-	183,100	183,100
AA- to AA+	-	607,143	-	607,143
A- to A+	-	3,084,955	815,303	3,900,258
Lower than A-	-	1,988,995	210,583	2,199,578
Unrated	170,898	273,357	51,415	495,670
Less: Expected credit loss	-	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871

Of which issued by:

	Designated at FVTPL	FVOCI – sukuk instruments	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
Governments	-	530,383	1,016,848	1,547,231
Public sector enterprises	-	4,447,042	243,553	4,690,595
Private sector and others	170,898	977,025	-	1,147,923
Less: Expected credit loss	-	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871

36 RISK MANAGEMENT (CONTINUED)

F. Classification of investment securities as per their external ratings (continued)

As of 31 December 2021

Ratings	Designated at FVTPL	FVOCI – sukuk instruments	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
AAA	-	-	55,088	55,088
AA- to AA+	-	604,977	92,403	697,380
A- to A+	-	2,795,187	667,976	3,463,163
Lower than A-	-	1,732,204	242,208	1,974,412
Unrated	152,850	305,641	51,411	509,902
Less: Expected credit loss	-	(11,799)	(3,568)	(15,367)
	152,850	5,426,210	1,105,518	6,684,578

Of which issued by:

	Designated at FVTPL	FVOCI – sukuk instruments	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
Governments	-	269,486	934,008	1,203,494
Public sector enterprises	-	4,126,888	82,675	4,209,563
Private sector and others	152,850	1,041,635	92,403	1,286,888
Less: Expected credit loss	-	(11,799)	(3,568)	(15,367)
	152,850	5,426,210	1,105,518	6,684,578

36 RISK MANAGEMENT (CONTINUED)

G. Risk gross maximum exposure:

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

	2022	2021
	AED 000	AED 000
Deposits with Central Bank	11,508,700	10,202,970
Due from banks	4,614,476	2,768,718
Investment securities	7,355,871	6,684,578
Financing receivables	48,368,978	42,614,024
Positive fair value of Islamic derivatives	184,118	118,376
Customer acceptances	923,843	787,200
Other assets	168,568	147,449
Total (A)	73,124,554	63,323,315
Contingent liabilities	6,110,448	5,165,242
Irrevocable commitments	1,489,294	1,788,982
Total (B)	7,599,742	6,954,224
Total credit risk exposure (A + B)	80,724,296	70,277,539

36 RISK MANAGEMENT (CONTINUED)

H. Credit quality analysis:

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

AED 000 31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	42,289,030	900,348	3,843,720	47,033,098
Transfers from stage 1	(895,846)	855,641	40,205	-
Transfers from stage 2	84,836	(355,307)	270,471	-
Transfers from stage 3	-	97,279	(97,279)	-
New financial assets, net of repayments and others	6,651,697	(238,105)	(71,342)	6,342,250
Amounts written off during the year	-	-	(293,701)	(293,701)
Total gross financing receivables as at 31 December	48,129,717	1,259,856	3,692,074	53,081,647
Expected credit losses	(955,482)	(274,920)	(3,482,267)	(4,712,669)
Carrying amount	47,174,235	984,936	209,807	48,368,978
By business units				
Corporate Banking	17,287,769	465,546	3,014,898	20,768,213
Retail Banking	30,841,948	794,310	677,176	32,313,434
Total gross financing receivables	48,129,717	1,259,856	3,692,074	53,081,647

AED 000 31 December 2021	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	40,013,841	1,074,777	4,052,183	45,140,801
Transfers from stage 1	(570,219)	525,145	45,074	-
Transfers from stage 2	225,105	(389,361)	164,256	-
Transfers from stage 3	-	1,342	(1,342)	-
New financial assets, net of repayments and others	2,620,303	(311,555)	96,698	2,405,446
Amounts written off during the year	-	-	(513,149)	(513,149)
Total gross financing receivables as at 31 December	42,289,030	900,348	3,843,720	47,033,098
Expected credit losses	(717,111)	(249,248)	(3,452,715)	(4,419,074)
Carrying amount	41,571,919	651,100	391,005	42,614,024
By business units				
Corporate Banking	14,404,869	595,205	3,393,781	18,393,855
Retail Banking	27,884,161	305,143	449,939	28,639,243
Total gross financing receivables	42,289,030	900,348	3,843,720	47,033,098

The stage 1 and stage 2 are performing financing receivables having grades 1a- 4f while stage 3 is non- performing financing receivable having grades 5a- 5d.

Corporate Banking – Performing does not include any exposure against watchlist customers.

36 RISK MANAGEMENT (CONTINUED)

I. Amounts arising from ECL

Financing receivables	31 December 2022				31 December 2021			
AED 000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at 1 January	717,111	249,248	3,452,715	4,419,074	746,624	289,288	3,295,913	4,331,825
Transfers from Stage 1	(17,977)	16,763	1,214	-	(27,774)	23,362	4,412	-
Transfers from Stage 2	17,977	(58,814)	40,837	-	60,630	(72,541)	11,911	-
Transfers from Stage 3	-	42,051	(42,051)	-	-	-	-	-
Allowances for impairment made during the year	238,371	25,672	532,097	796,140	(62,369)	9,139	777,807	724,577
Write back / recoveries made during the year	-	-	(208,844)	(208,844)	-	-	(131,498)	(131,498)
Amounts written off during the year	-	-	(293,701)	(293,701)	-	-	(513,149)	(513,149)
Exchange and other adjustments	-	-	-	-	-	-	7,319	7,319
Closing Balance as at 31 December	**955,482**	**274,920**	**3,482,267**	**4,712,669**	**717,111**	**249,248**	**3,452,715**	**4,419,074**

The contractual amount outstanding on financing receivables which were written off during the year, and are still subject to enforcement activity amounted to AED 294 million (2021: AED 513 million).

36 RISK MANAGEMENT (CONTINUED)

J. Impairment reserve under the Central Bank of UAE (CBUAE) guidance

The Central Bank of the UAE issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance").

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

	2022	**2021**
	AED 000	AED 000
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	791,545	625,156
Less: Stage 1 and Stage 2 provisions under IFRS 9	(1,288,635)	(966,359)
General provision transferred to the impairment reserve*	-	-
Impairment reserve: Specific		
Specific provisions under Circular 28/2010 of CBUAE	3,253,620	3,250,031
Less: Stage 3 provisions under IFRS 9	(3,482,267)	(3,452,715)
Specific provision transferred to the impairment reserve*	-	-
Total provision transferred to the impairment reserve	-	-

**In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.*

36 RISK MANAGEMENT (CONTINUED)

K. Market risk

Market risk is the potential for adverse changes in the market value of portfolio and positions due to fluctuations in profit rates, exchange rates, equity prices, commodity prices, as well as in their correlation and implied volatility. Consistent with the Group's approach to strict compliance with Shariah rules and principles, the Group does not involve in speculative foreign exchange transactions.

The Group's market risk is managed through risk limits set by the ALCO and approved by the Board Risk Committee. Risk limits are reviewed by the ALCO on an annual basis and are monitored independently by the Market Risk unit on a regular basis, and exceptions, if any, are reported to senior management.

Value-at-Risk

To better capture the multi-dimensional aspects of market risk, the Group's primary market risk metric is a statistical one, Value-at-Risk (VaR), which is used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes, such as Profit Rate VaR, Foreign Exchange VaR and Total VaR

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to currency risk since the majority of the assets and liabilities of the Group are denominated predominately in either AED or in USD-pegged currencies from other GCC countries.

ii. Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effect on equity due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2022			2021		
	% Change in market indices	Effect on net profit	Effect on OCI	% Change in market indices	Effect on net profit	Effect on OCI
		AED 000	AED 000		AED 000	AED 000
Equity	10	17,090	-	10	15,285	-
Sukuk	10	-	592,506	10	-	542,621

36 RISK MANAGEMENT (CONTINUED)

L. Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This definition includes legal risks (described as exposure to fines, penalties and punitive damages resulting from supervisory actions, as well as private settlements), regulatory risks, and the risk arising from change initiatives.

Operational Risk Governance Framework
The Group applies a three line of defense model for operational risk management. The business and support units form the first line of defense. They have the primary responsibility and accountability for identifying operational risk in their areas and to promptly mitigate any issues.

The Operational Risk function as the second line of defense, provide consistent and standardized methods and tools to business and support functions for managing operational risk. The Group Operational Risk unit monitors the risk management process and compliance to the operational risk policies and procedures. It conducts independent analysis of the operational risk exposure and the bank's mitigating strategies.

Internal Audit acts as the third line of defense, provides independent assurance to the Board of Directors.

Operational Risk Management Process
The Group has set up the Operational Risk function within Risk Management Team to establish the framework and governance structure set out in the operational risk policy. The risk management process comprises mainly of the below elements:

- Risk Assessment
- Risk Monitoring and Review
- Risk Treatment
- Risk Reporting

This function develops and implements the methods for the identification, assessment and monitoring of Operational Risk throughout the Group and provides regular and comprehensive reporting on operational risks to senior management. The function supports business and other support units to monitor and manage their individual operational risks. Furthermore, the Group Operational Risk function also provides analysis and reports on operational risks to management committees (Board Risk Committee, Group Risk Committee, Local Risk Committee), and to the CBUAE as per regulations, guidelines / circulars and conducts independent oversight and monitoring of risks and mitigating measures.

Insurance Management
The Group obtains comprehensive and tailored insurance cover to protect the Group against unexpected and unforeseeable losses. Islamic insurance cover is obtained from high rated insurance companies in the international reinsurance market. The requirements for insurance are reviewed periodically and the insurance cover is aligned to changes of the Group's risk exposure.

Fraud Management
The Board and Management are determined to build and maintain a credible defense to the threat posed by fraud.

In line with the evolving banking technologies and digital landscape, management has recognized the need for greater focus on anti-fraud capabilities of the Group. As such the bank is continuously investing into advanced systems and controls for the interdiction of frauds perpetrated against the bank. The bank has increased monitoring and enhanced detective controls to manage fraud risks, which arise from new technologies and new methods of banking.

The Group has a specialized Fraud Prevention and Investigation (FP&I) team which focuses on investigation of fraud attempts against the bank, spreading fraud awareness to stakeholders, identification and mitigation of fraud risks. The team has independent reporting to Board Risk Committee.

The Group has policies and procedures in place to ensure compliance with prevailing legislation and limit risk, including the risk of fraud.

36 RISK MANAGEMENT (CONTINUED)

M. Operational risk (continued)

Whistleblowing
The Group is committed to the highest standards of openness, integrity and accountability in the delivery of its services. Whilst the Group has instituted a wide range of rules, regulations, procedures and codes of practice to deliver on its commitments, fraud, malpractice, abuse and/or wrongdoing may unfortunately occur.

As such, the Group as part of 'Whistleblowers Policy', provides the platform to employees for reporting of malpractices. The policy is designed to encourage employees to report suspected internal fraud and other breaches, through specified channels, while safeguarding the employee from retribution.

Cyber Security Management
Emirates Islamic considers Information and related processes, systems, and networks as an important and valuable asset. These assets are required to be protected to ensure their confidentiality, availability and integrity at all times.

The Group has established a comprehensive cyber security framework based on three line of defense model.

The framework ensures Emirates Islamic is resilient to sustain cyber security threats in an evolving and increasingly complex digital environment.

Business Continuity Management
Business Continuity Management (BCM) is defined as a "holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause, and which provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities."

The business continuity process across the Group is based on the international standard ISO22301:2012 (E). The BRC is responsible for providing oversight and strategy for Business Continuity Management. Business and support units are responsible to ensure appropriate Business Continuity Plans are in place and tested for their respective areas. The effectiveness of the Business Continuity Plans is monitored independently by Group Operational Risk.

36 RISK MANAGEMENT (CONTINUED)

N. Liquidity risk

Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

Objectives and Governance structure

The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments (under both normal and stressed conditions) can be met when due, and that access to the wholesale markets is coordinated and cost effective. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements.

Policies and Procedures

Specifically, liquidity and funding management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow, retention and decay assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity and financing recievables to deposits ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the concentration and profile of financing maturities;
- maintaining financing plans;
- monitoring customer depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of distress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crisis, while minimising adverse long-term implications for the business.

36 RISK MANAGEMENT (CONTINUED)

O. Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on their carrying values:

31 December 2022	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Undated and Over 5 years	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
ASSETS						
Cash and deposits with the Central bank of the UAE	10,863,796	1,162,490	-	-	-	12,026,286
Due from banks	2,882,601	1,731,875	-	-	-	4,614,476
Investment securities	215,904	679,960	2,126,801	2,107,460	2,225,746	7,355,871
Financing receivables	14,664,753	7,081,518	9,806,564	4,808,872	12,007,271	48,368,978
Positive fair value of Islamic derivatives	1,234	5,108	45,777	67,373	64,626	184,118
Investment properties	-	-	-	-	280,547	280,547
Customer acceptances	923,843	-	-	-	-	923,843
Property and equipment	-	-	-	-	249,206	249,206
Other Assets	265,439	-	-	-	494,954	760,393
TOTAL ASSETS	**29,817,570**	**10,660,951**	**11,979,142**	**6,983,705**	**15,322,350**	**74,763,718**

36 RISK MANAGEMENT (CONTINUED)

O. Maturity analysis of assets and liabilities (continued)

31 December 2022	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Undated and Over 5 years	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
LIABILITIES						
Due to banks	1,133,733	190,697	-	-	555,651	1,880,081
Customer deposits	46,699,132	8,349,264	515,819	429,980	349,460	56,343,655
Sukuk payable	-	-	1,836,250	1,836,250	-	3,672,500
Negative fair value of Islamic derivatives	71	5,332	47,017	70,765	68,315	191,500
Customer acceptances	923,843	-	-	-	-	923,843
Other liabilities	1,144,761	-	-	-	1,347,036	2,491,797
Total equity	-	-	-	-	9,260,342	9,260,342
TOTAL LIABILITIES AND EQUITY	49,901,540	8,545,293	2,399,086	2,336,995	11,580,804	74,763,718
OFF BALANCE SHEET						
Letters of credit and guarantees	3,244,699	1,717,218	693,514	160,289	294,728	6,110,448
31 December 2021						
ASSETS	22,755,632	11,401,816	10,723,514	6,541,320	13,482,123	64,904,405
LIABILITIES AND EQUITY	45,649,688	3,191,447	435,308	4,369,373	11,258,589	64,904,405
OFF BALANCE SHEET ITEMS	3,111,211	1,447,656	391,990	66,298	25,086	5,042,241

36 RISK MANAGEMENT (CONTINUED)

P. Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2022 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice was given immediately. However, the Group expects that many customers will not request repayment on the earliest date, the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount	Gross nominal outflows	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Financial liabilities							
Due to banks	1,880,081	(1,889,898)	(1,138,600)	(195,647)	-	-	(555,651)
Customer deposits	56,343,655	(56,672,291)	(46,794,034)	(8,474,891)	(581,397)	(462,626)	(359,343)
Sukuk payable	3,672,500	(3,914,098)	(17,945)	(54,831)	(1,972,682)	(1,868,640)	-
	61,896,236	(62,476,287)	(47,950,579)	(8,725,369)	(2,554,079)	(2,331,266)	(914,994)
Letters of credit and guarantees	6,110,448	(6,110,448)	(3,244,699)	(1,717,218)	(693,514)	(160,289)	(294,728)
Irrevocable financing commitments	1,489,294	(1,489,294)	(1,383,827)	(94,720)	-	-	(10,747)

36 RISK MANAGEMENT (CONTINUED)

P. Analysis of financial liabilities by remaining contractual maturities (continued)

As at December 2021

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	2,548,432	(2,548,440)	(984,316)	-	-	-	(1,564,124)
Customer deposits	47,269,061	(47,359,688)	(42,987,668)	(3,179,971)	(453,527)	(667,861)	(70,661)
Sukuk payable	3,672,500	(3,986,874)	(17,945)	(54,831)	(145,751)	(3,768,347)	-
	53,489,993	(53,895,002)	(43,989,929)	(3,234,802)	(599,278)	(4,436,208)	(1,634,785)
Letters of credit and guarantees	5,042,241	(5,042,241)	(3,111,211)	(1,447,656)	(391,990)	(66,298)	(25,086)
Irrevocable financing commitments	1,788,982	(1,788,982)	(1,477,327)	(156,697)	(116,030)	(17,151)	(21,777)

36 RISK MANAGEMENT (CONTINUED)

Q. Profit rate risk in the banking book

Profit Rate Risk in the Banking Book ('PRRBB') is defined as the exposure of the non-trading products of the Group to profit rates. Non-trading portfolios include all banking book positions that arise from the profit rate on the Group's retail and commercial banking assets and liabilities, and financial investments designated as available for sale and amortised cost / held to maturity. PRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of profit rate changes.

In order to manage this risk optimally, PRRBB in non-trading portfolios is transferred to Group Treasury under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) Systems. Group ALCO is required to regularly monitor all such profit rate risk positions to ensure they comply with profit rate risk limits.

For measuring overall profit sensitivity in the banking book, the Group conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points, and assessing the corresponding impact on its net income from financing and investment products.

AED 000	As at 31 December 2022		As at 31 December 2021	
	Amount	Variance	Amount	Variance
Rates Up 200 bp	3,177,133	339,142	2,178,486	285,730
Base Case	2,837,991	-	1,892,756	-
Rates Down 200 bp	2,126,779	(711,212)	1,612,628	(280,129)

The profit rate sensitivities set out in the table above are based on a set scenario i.e. the projections above assume that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net income from financing and investment products of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by Group Treasury or in the business units to mitigate the impact of this profit rate risk. In practice, Group Treasury seeks proactively to change the profit rate risk profile to minimize losses and optimize net revenues.

The calculation for down rate shock assumes floor to market rates at zero i.e. (from 1M EIBOR of 22 bps to zero) in 2021 compared to full downgrade impact of 200 bps in 2022.

36 RISK MANAGEMENT (CONTINUED)

R. Profit rate repricing analysis*

31 December 2022	Less than 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year	Non-profit bearing	Total
	Actual	Actual	Actual	Actual	Actual	Actual	AED 000
ASSETS							
Cash and deposits with the Central Bank of the UAE	3,410,431	2,614,026	660,180	502,310	-	4,839,339	12,026,286
Due from banks	1,703,718	917,858	818,352	913,523	-	261,025	4,614,476
Investment securities	-	215,904	516,382	163,578	6,289,109	170,898	7,355,871
Financing receivables	14,785,188	18,017,221	4,145,448	4,195,341	7,225,780	-	48,368,978
Positive fair value of Islamic derivatives	-	-	-	-	-	184,118	184,118
Investment properties	-	-	-	-	-	280,547	280,547
Customer acceptances	-	-	-	-	-	923,843	923,843
Property and equipment	-	-	-	-	-	249,206	249,206
Other assets	-	-	-	-	-	760,393	760,393
TOTAL ASSETS	19,899,337	21,765,009	6,140,362	5,774,752	13,514,889	7,669,369	74,763,718

*Represents when the profit rate will be repriced for each class of assets and liabilities.

36 RISK MANAGEMENT (CONTINUED)

R. Profit rate repricing analysis (continued)

31 December 2022	Less than 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year	Non-profit bearing	Total
	Actual	Actual	Actual	Actual	Actual	Actual	AED 000
LIABILITIES AND EQUITY							
Due to banks	547,751	550,875	-	190,697	-	590,758	1,880,081
Customer deposits	19,339,470	1,863,743	4,715,611	3,633,653	1,295,258	25,495,920	56,343,655
Sukuk payable	-	-	-	-	3,672,500	-	3,672,500
Negative fair value of Islamic derivatives	-	-	-	-	-	191,500	191,500
Customer acceptances	-	-	-	-	-	923,843	923,843
Other liabilities	-	-	-	-	-	2,491,797	2,491,797
Total equity	-	-	-	-	-	9,260,342	9,260,342
TOTAL LIABILITIES AND EQUITY	19,887,221	2,414,618	4,715,611	3,824,350	4,967,758	38,954,160	74,763,718
ON BALANCE SHEET GAP	12,116	19,350,391	1,424,751	1,950,402	8,547,131	(31,284,791)	-
PROFIT RATE SENSITIVITY GAP – 2022	12,116	19,350,391	1,424,751	1,950,402	8,547,131	(31,284,791)	-
CUMULATIVE PROFIT RATE SENSITIVITY GAP – 2022	12,116	19,362,507	20,787,258	22,737,660	31,284,791	-	-

*Represents when the profit rate will be repriced for each class of assets and liabilities.

36 RISK MANAGEMENT (CONTINUED)

S. Reputational risk

Reputational risk is the risk of potential loss of earnings and future revenue, loss in market value or lack of liquidity supply due to deterioration of reputation. It also includes the threat to the brand value of a financial institution. It also arises due to non-compliance with Internal Shariah Supervision Committee's resolution and Fatwas while taking administrative decisions, products or executing financial products contracts.

Reputational risk can arise as a consequence of failures with a strong negative perception amongst clients, shareholders, creditors or the public. The Group has measures to ensure a positive perception of the Group and that overall risk management ensures appropriate management of reputational risk.

T. ICAAP and Stress-Testing

Stress testing is an integral part of the Group's risk management process. It includes scenario analysis and is conducted regularly. In particular, the ICAAP (a group-wide exercise spanning risk types) is performed annually. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio and branch/subsidiary level. Every stress test is documented and the results are discussed at the EXCO level and approved by the GRC and the BRC.

Stress testing alerts senior management to the Group's potential vulnerability to exceptional but plausible adverse events. As such, stress testing enable us to assess capital adequacy and identify potential risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

U. Regulatory/compliance risk

Regulatory/Compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions.

The Group has an independent Compliance function, with the necessary mandate and authority to enforce and monitor compliance on a Group wide basis. This includes compliance with the applicable laws and regulations across the various jurisdictions where the Group operates as well as those of the USD / EU clearing centres.

Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Group wide and are supplemented where necessary to address any unique local requirements. These policies are supported by automated screening and monitoring systems and associated investigation teams to help comply with the Sanctions, AML, CTF, FATCA and CRS requirements. Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

i) Shariah non-compliance risk

Non-compliance with Internal Shariah Supervision Committee's Resolutions and Fatwas while taking administrative decision, products or executing financial products' contracts, may cause a reputational risk for the Group.

The Group has permanent Internal Shariah Control Department to evaluate all existing and proposed solutions prior to presenting it to Internal Shariah Supervision Committee for approval and to conduct a periodic audit to ensure compliance with Shariah principles and rules.

36 RISK MANAGEMENT (CONTINUED)

V. IBOR transition

The key risks for the Group arising from the transition are:

Conduct risk: The transition to alternative benchmark rates could result in the risk of market or customer misconduct, which may lead to customer complaints, regulatory sanctions or reputational impact. This includes the risk of misleading clients, market abuse (including insider dealing and market manipulation), anti-competitive practices, both during and after transition (such as collusion and information sharing) and risks arising from conflicts of interest. The Group has in place strong project governance to oversee the transition to ensure this risk is mitigated.

Pricing risk: The transition to alternative benchmark rates and the discontinuation of profit rate benchmarks may impact the pricing mechanisms used by the Group. New RFR based pricing models have been developed for financial instruments.

Profit rate basis risk: If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of IBORs, there are significant uncertainties with regard to the profit rate that would apply. This gives rise to additional profit rate risk that was not anticipated when the contracts were entered into and is not captured by our profit rate risk management strategy. The Group is working closely with all counterparties to avoid this from occurring.

Liquidity risk: There are fundamental differences between IBORs and the various alternative benchmark rates which the Group will be adopting. IBORs are forward looking term rates published for a period at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period, with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate profit payments which will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Management is running a project on the Group's transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

W. Internal Audit's role in overall risk management

The Group Internal Audit is an independent appraisal function established by the Board of Directors to examine and evaluate the activities of the Group including all aspects of the Group Risk Management. The department is organisationally independent of all other functions in the bank. The unit is headed by the Chief Audit Officer, who is accountable to the Board of Directors through the Board Audit Committee.

The primary objectives of Group Internal Audit is to provide assurance on risks to which the Group' business are exposed, evaluate the adequacy and effectiveness of financial/operating controls and the Corporate Governance environment, assess the extent to which assets are accounted for and safeguarded from losses and conduct follow-up activities to assess and report on the degree to which management has addressed risks and compliance with action plans previously agreed.

The unit's mission is achieved through a risk based annual audit plan approved by the Board Audit Committee. A formal report is prepared at the end of each quarter which includes a summary of audit activity completed during the period and an update on the status of previously reported matters for Board Audit Committee attention.

The Board Audit Committee reviews and approves Group Internal Audit's plans and resources, and evaluates the effectiveness of the Internal Audit function. External advisers also periodically conduct an assessment of the function.

X. Risk management framework and processes at Group entities

In establishing risk management policies & processes at the Group entities level, due consideration is given to the entities' specific regulatory environment.

37 LEGAL PROCEEDINGS

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group is party to legal proceedings and regulatory matters arising out of its normal business operations. The Group has proper controls and policies for managing legal claims. The recognition of provisions is determined in accordance with the accounting policies set out in Note 7. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2022. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2022 other than to the extent already provided.

38 SOCIAL CONTRIBUTIONS

The social contributions (including donations and charity) made during the year amount to AED 108.1 million (2021: AED 51.2 million).

39 COMPARATIVE AMOUNTS

Certain prior year comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

الإمارات الإسلامي
EMIRATES ISLAMIC

Innovation with Integrity

Financial Statements
For the Year Ended 31 December 2023

Financial Statements

Financial Statements 1-58

To view our full Annual Report, please visit our website.

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

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Independent Auditor's Report

To the Shareholders of Emirates Islamic Bank P.J.S.C.

The Shareholders
Emirates Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Emirates Islamic Bank P.J.S.C. (the "Bank")** and its subsidiaries **(together the "Group")** which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the 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.

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers	
The assessment of the Group's determination of impairment allowances for financing receivables to customers require management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality of the financing receivables to customers (representing 61% of total assets) and the complexity of the judgements, assumptions and estimates used in the ECL models. Refer to Note 6 to the consolidated financial statements for the accounting policy and Note 35 for the credit risk disclosure.	We gained an understanding of the financing receivables origination process, credit risk management process and the estimation process of determining impairment allowances for financing receivables to customers and tested the operating effectiveness of relevant controls within these processes. On a sample basis, we selected individual financing receivables and performed a detailed credit review and challenged the Group's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions underlying the impairment allowance calculation, such as estimated future cash flows, collateral valuations and estimates of recovery. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for financing receivables impairment allowances.

Akbar Ahmad (1141), Cynthia Corby (995), Faeza Sohawon (5508), Firas Anabtawi (5482), Georges Najem (809), Jazala Hamad (1267), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

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Independent Auditor's Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. continued

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	
The material portion of the non-retail portfolio of financing receivables is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the Group's policies and the requirements of IFRS 9 Financial Instruments ("IFRS 9"). The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that models and its parameters (Probability of Default "PD", Loss given Default "LGD", Exposure at Default "EAD" and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process by an independent reviewer.	We evaluated key assumptions such as criteria used to determine SICR and forward-looking macroeconomic scenarios including the related weighting. For financing receivables tested collectively, we evaluated controls over the modelling process, including model inputs, monitoring, validation, and approval. We challenged key assumptions, reviewed the calculation methodology and traced a sample back to source data. We tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances. We evaluated post-model adjustments and management overlays in order to assess the reasonableness of these adjustments. We further assessed the reasonableness of forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses. The Group performed an independent validation of the PD and LGD models including macro-economic model during the reporting period. We considered the process of this independent validation of models and involved our subject matter specialists to review the validation and its impact on the results of the impairment estimate. We have updated our assessment of the methodology and framework designed and implemented by the Group as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Group to determine future economic conditions at the reporting date. We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.

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Independent Auditor's Report

To the Shareholders of Emirates Islamic Bank P.J.S.C. continued

Key audit matter	How our audit addressed the key audit matter
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Group and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to address the potential risk for fraud and error as a result of change to applications or underlying data.	We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to the identified automated controls and Information Produced by the Entity (IPEs) covering access security, program changes, data center and network operations. We examined certain Information Produced by the Entity (IPEs) used in the financial reporting from relevant applications and key controls over their report logics as well as preparation and maintenance. We performed testing on the key automated controls on significant IT systems relevant to business processes. We tested the interfaces among identified systems in order to determine whether information is being transmitted in an accurate and complete manner.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the annual report of the Group but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 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.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

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Independent Auditor's Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. continued

As part of an audit in accordance with ISAs, we exercise professional judgment 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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, related safeguards.

From the matters communicated with the Group's Audit Committee, 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 and regulations preclude 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

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Group;
- Note 10 to the consolidated financial statements discloses the Group's purchases or investments in shares during the year ended 31 December 2023;
- Note 30 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- 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 Law No. (32) of 2021 or, in respect of the Bank its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- Note 37 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2023.

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

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
24 January 2024
Dubai
United Arab Emirates

Group Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	2023 AED 000	2022 AED 000
ASSETS			
Cash and deposits with the Central Bank of the UAE	8	**14,981,141**	12,026,286
Due from banks	9	**6,131,154**	4,614,476
Investment securities	10	**10,429,662**	7,355,871
Financing receivables	11	**53,747,737**	48,368,978
Positive fair value of Islamic derivatives	27	**184,173**	184,118
Customer acceptances	29	**1,036,534**	923,843
Investment properties		**184,806**	280,547
Property and equipment		**270,848**	249,206
Other assets	12	**845,676**	760,393
TOTAL ASSETS		**87,811,731**	**74,763,718**
LIABILITIES			
Due to banks	13	**5,792,375**	1,880,081
Customer deposits	14	**61,314,915**	56,343,655
Sukuk payable	15	**4,672,500**	3,672,500
Negative fair value of Islamic derivatives	27	**178,396**	191,500
Customer acceptances	29	**1,036,534**	923,843
Other liabilities	16	**3,373,303**	2,491,797
TOTAL LIABILITIES		**76,368,023**	**65,503,376**
EQUITY			
Issued capital	17	**5,430,422**	5,430,422
Legal and statutory reserve	18	**1,027,161**	815,039
Other reserves	18	**543,043**	543,043
Fair value reserve	18	**(269,979)**	(375,476)
Retained earnings		**4,713,061**	2,847,314
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**11,443,708**	**9,260,342**
TOTAL LIABILITIES AND EQUITY		**87,811,731**	**74,763,718**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2 to 5.

Mr. Hesham Abdulla Al Qassim
Chairman

Mr. Shayne Nelson
Director

Mr. Farid Al Mulla
Chief Executive Officer

Group Consolidated Statement of Income
For the year ended 31 December 2023

	Notes	2023 AED 000	2022 AED 000
Income from financing and investment products	19	**4,664,893**	2,695,320
Distribution on deposits and profit paid to Sukuk holders	20	**(950,916)**	(360,061)
Net income from financing and investment products		**3,713,977**	**2,335,259**
Fee and commission income	21	**937,078**	829,530
Fee and commission expense		**(454,937)**	(374,426)
Net fee and commission income		**482,141**	**455,104**
Other operating income	22	**569,453**	391,662
Total operating income		**4,765,571**	**3,182,025**
General and administrative expenses	23	**(1,771,366)**	(1,539,020)
Operating profit before impairment		**2,994,205**	**1,643,005**
Net impairment loss on financial assets	24	**(994,638)**	(401,561)
Net impairment (loss) / reversal on non-financial assets		**121,648**	(1,300)
Total net impairment loss		**(872,990)**	**(402,861)**
Net profit for the year		**2,121,215**	**1,240,144**
Earnings per share (AED)	26	**0.391**	**0.228**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2 to 5.

Group Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	2023 AED 000	2022 AED 000
Net profit for the year	**2,121,215**	1,240,144
Other comprehensive income		
Items that will not be reclassified subsequently to the Income statement:		
Actuarial gains / (losses) on retirement benefit obligations	**(15,714)**	8,073
Items that may be reclassified subsequently to the Income statement:		
Cash flow hedges:		
– Effective portion of changes in fair value	**4,986**	–
Movement in fair value reserve (Sukuk instruments):		
– Net change in fair value	**100,548**	(486,810)
– Net amount transferred to income statement	**(37)**	(1,056)
Other comprehensive income / (loss) for the year	**89,783**	(479,793)
Total comprehensive income for the year	**2,210,998**	**760,351**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2 to 5.

Group Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	2023 AED 000	2022 AED 000
OPERATING ACTIVITIES		
Net profit for the year	**2,121,215**	1,240,144
Adjustment for non cash items and other items (refer Note 33)	**1,231,036**	584,358
Operating profit before changes in operating assets and liabilities	**3,352,251**	**1,824,502**
(Increase) / decrease in balances with the Central Bank maturing after three months	**(7,439,773)**	2,637,047
(Increase) / decrease in amounts due from banks maturing after three months	**(3,045,773)**	392,866
Increase / (decrease) in amounts due to banks maturing after three months	**(146,455)**	153,946
(Increase) / decrease in positive fair value of Islamic derivatives	**4,931**	(65,742)
Increase / (decrease) in negative fair value of Islamic derivatives	**(13,104)**	64,885
(Increase) / decrease in other assets	**(85,283)**	(95,652)
Increase / (decrease) in other liabilities	**698,126**	518,331
Increase / (decrease) in customer deposits	**4,971,260**	9,074,594
(Increase) / decrease in financing receivables	**(6,451,460)**	(6,342,250)
Net cash flows (used in) / generated from operating activities	**(8,155,280)**	**8,162,527**
INVESTING ACTIVITIES		
(Increase) / decrease in investment securities	**(3,018,038)**	(1,072,456)
(Increase) / decrease of investment properties	**215,665**	(5,057)
Dividend income received	**29**	10,147
(Increase) / decrease of property and equipment	**(110,215)**	(54,272)
Net cash flows used in investing activities	**(2,912,559)**	**(1,121,638)**
FINANCING ACTIVITIES		
Issuance of Sukuk	**1,000,000**	–
Net cash flows generated from financing activities	**1,000,000**	–
Increase / (decrease) in cash and cash equivalents (refer Note 33)	**(10,067,839)**	**7,040,889**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2 to 5.

Group Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Issued capital AED 000	Legal and statutory reserve AED 000	Other reserves AED 000	Fair value reserve AED 000	Retained earnings AED 000	Total AED 000
Balance as at 1 January 2023	**5,430,422**	**815,039**	**543,043**	**(375,476)**	**2,847,314**	**9,260,342**
Profit for the year	**–**	**–**	**–**	**–**	**2,121,215**	**2,121,215**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**105,497**	**(15,714)**	**89,783**
Transfer to reserves	**–**	**212,122**	**–**	**–**	**(212,122)**	**–**
Directors' fees (refer note 25)	**–**	**–**	**–**	**–**	**(7,000)**	**(7,000)**
Zakat	**–**	**–**	**–**	**–**	**(20,632)**	**(20,632)**
Balance as at 31 December 2023	**5,430,422**	**1,027,161**	**543,043**	**(269,979)**	**4,713,061**	**11,443,708**
Balance as at 1 January 2022	5,430,422	691,025	543,043	112,390	1,774,104	8,550,984
Profit for the year	–	–	–	–	1,240,144	1,240,144
Other comprehensive income/(loss) for the year	–	–	–	(487,866)	8,073	(479,793)
Transfer to reserves	–	124,014	–	–	(124,014)	–
Directors' fees	–	–	–	–	(7,000)	(7,000)
Zakat	–	–	–	–	(43,993)	(43,993)
Balance as at 31 December 2022	5,430,422	815,039	543,043	(375,476)	2,847,314	9,260,342

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2 to 5.

Notes to the Group Consolidated Financial Statements
For the year ended 31 December 2023

1 Corporate Information
Emirates Islamic Bank P.J.S.C. (the "Bank") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3 October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of United Arab Emirates.

At an extraordinary general meeting held on 10 March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with the Shariah rules and principles. The entire process was completed on 9 October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD Bank (P.J.S.C), Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), which is wholly owned by the Government of Dubai.

The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is www.emiratesislamic.ae. In addition to its head office in Dubai, the Bank operates through 40 branches in the UAE. The consolidated financial statements comprise financial statements of the Bank and its following subsidiaries (together referred to as "the Group").

	Date of incorporation & country	Principal activity	Ownership % 31 December 2023	Ownership % 31 December 2022
Emirates Islamic Financial Brokerage Co. LLC*	26 April 2006, UAE	Financial brokerage services	100%	100%
EIB Sukuk Company Limited	6 June 2007, Cayman Islands	Special Purpose Entity	100%	100%
EI Funding Limited	15 May 2014, Cayman Islands	Special Purpose Entity	100%	100%

The Bank provides banking services and offers a variety of products through financing and investing instruments in accordance with Shariah rules and principles.

The Bank's registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

*This subsidiary is in the process of being dissolved.

2 Basis of accounting
Statement of compliance:
The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE.

Federal Law No. 32 of 2021 on Commercial Companies has come into effect from 2 January 2022, replacing the existing Federal Law No. 2 of 2015.

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

3 Functional and presentation currency
The Group consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's functional currency. Except where indicated, financial information presented in AED has been rounded to the nearest thousand.

4 Basis of measurement
The Group consolidated financial statements have been prepared under the historical cost basis except for the following:
- Shariah compliant derivatives are measured at fair value;
- financial instruments classified at fair value through profit or loss (FVTPL) are measured at fair value; and,
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in Note 5.

5 Use of judgements and estimates

The preparation of the Group consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing receivables as well as allowances for impairment provision for unquoted investment securities. 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.

Significant items where the use of estimates and judgments are required are outlined below:

(i) Financial instruments

Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the consolidated financial statements of the year ended 31 December 2023 pertain to:

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

Inputs, assumptions and techniques used for ECL calculation

Key concepts that have the most significant impact and require a high level of judgment, as considered by the Group while determining the ECL, are:

Assessment of Significant Increase in Credit Risk ("SICR")

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

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

1. The Group has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment is based on individual assessment of financial assets for objective evidence of impairment.

The Group reviews its financing receivables portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a financing receivable or homogenous group of financing receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The estimation and application of forward-looking information requires significant judgment based on the macroeconomic variables (or changes in macroeconomic variables) such as occupancy rates, oil prices, housing price index and GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio and represent the underlying causal effects of changes in these economic conditions. Each macroeconomic scenario used in the Group's ECL calculation will have projected forecasts of the relevant macroeconomic variables.

The Group estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. These scenarios are based on macroeconomic forecasts published by the external experts. If conditions warrant, additional downside scenarios may also be considered.

Probability weights attached to these scenarios are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities. In some instances the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Group's governance process for oversight.

Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group.

The table below summarises key macroeconomic indicators included in the economic scenarios on 31 December 2023 for the years ending 2023 to 2027.

	Base Scenario					Upside Scenario					Downside Scenario				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
UAE															
Oil Price – USD	84	87	76	74	74	84	89	77	74	74	84	69	59	69	72
GDP – Change %	3.1	4.0	4.3	3.1	3.2	3.1	5.8	5.7	3.2	3.2	3.1	0.2	-0.2	4.1	4.9
Imports – AED in Bn	1436	1500	1561	1602	1639	1436	1521	1604	1669	1722	1436	1372	1325	1365	1410

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Definition of default

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

Expected Life

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

Governance

In addition to the existing risk management framework, the Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management, Internal audit and Business teams and are responsible for reviewing and approving key inputs and assumptions used in the Group ECL estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group financial statements.

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from quoted prices, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where this is not possible, a degree of judgment is required in establishing fair values. The judgments include consideration of liquidity and model inputs such as correlation and volatility for longer dated Shariah compliant derivatives.

Fair values are subject to a control framework designed to ensure that they are either determined or validated, by a function independent of the risk taker.

(iii) Contingent liability arising from litigations

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

6 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these Group consolidated financial statements.

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group 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 Group re-assesses 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. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the Group consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date, fair value of assets transferred by group, liability incurred and equity interest issued by the group in exchange for control of the acquiree. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in profit or loss. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interest in the acquiree are restated to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(ii) Special Purpose Entities

Special Purpose Entities (SPEs) are entities that are created to accomplish a well-defined objective such as the securitisation of particular assets, or the execution of a specific funding transaction. An SPE is consolidated if the Group is exposed to variable returns from its involvement in the SPE and has the ability to affect those returns through its power over the SPE based on an evaluation of the substance of its relationship with the Group.

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

a. the Group has power over the SPE;
b. the Group has exposure to, or rights, to variable returns from its involvement with the SPE; and
c. the Group has the ability to use its power over the SPE to affect the amount of the Group's returns.

The assessment of whether the Group has control over an SPE is carried out at inception and reassessed at each period end date or if there are changes in the structure / terms of additional transactions between the group and the SPE.

Information about the Group's securitisation activities is included in Note 15.

(b) Foreign Currencies

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. The resulting gain / loss on monetary items is taken to the 'Other operating income' in the consolidated statement of income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Financing Profit

Effective profit rate

Profit income and expense are recognised in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including ECL.

Amortised cost

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount using the effective profit method and, for financial assets, adjusted for any loss allowance.

Gross carrying amount

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting any loss allowance.

Presentation

Finance profit and expense presented in the consolidated statement of income include:

- Profit on financial assets and financial liabilities measured at amortised cost calculated on an effective profit basis.
- Profit on Sukuk measured at FVOCI calculated on an effective profit basis.

(d) Income from financing receivables

Revenue is recognised on the respective Islamic products as follows:

Murabaha

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the balance outstanding.

Istisna'a

Istisna'a revenue and the associated profit margin (difference between the cash price to the customer and the bank's total Istisna'a cost) are accounted using effective profit method.

Ijara

Income from Ijara is recognised on an accrual basis over the period of the contract using effective profit method.

Mudaraba

Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakala

Estimated income from Wakala is recognised on an accrual basis over the period using effective profit method, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

6 Significant accounting policies

(e) Fees and commission

Fee income, which is not an integral part of the effective profit rate of a financial instrument, is earned from a diverse range of services provided by the Group to its customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:

(i) income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);

(ii) income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio and other management advisory and service fees); and

(iii) Other fees and commission income and expense are recognised as the related services are performed or received.

Fee income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit rate (for example, certain financing commitment fees) and recorded in income from financing and investing products.

(f) Earnings prohibited by Shariah

Earnings prohibited by the Shariah are set aside for charitable purposes or otherwise dealt with in accordance with the directions of the Internal Shariah Supervision Committee.

(g) Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

(h) Property related income

Property related income includes rental income, which is recognised on a straight-line basis over the term of the lease.

(i) Leases

Under IFRS 16, the Group recognises a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits.

The Group has presented right of use assets within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

Where the Group leases out its investment property, the Group has classified these as operating leases.

(j) Financial assets and financial liabilities

(i) Classification of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured: at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ii) Recognition and initial measurement

The Group initially recognises financing receivables, deposits and Sukuks issued on the date on which they are originated or acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

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 as 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 funding those assets or realizing 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 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 the 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.

6 Significant accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(ii) Recognition and initial measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and profit:

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 margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, 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;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of profit rate.

See note on investment securities, financing receivables and cash and cash equivalents for further details.

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortised cost or FVTPL.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(iii) Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are financing instruments;
- financial guarantee contracts issued; and
- financing commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

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

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

Purchased or originated credit impaired assets (POCI)

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit is subsequently recognised based on a credit-adjusted EIR. Lifetime ECLs are only recognised or released to the extent that there is a subsequent change in the credit risk.

Revolving facilities

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

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

Write-off

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

(iv) Financial guarantees and financing commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified obligor fails to make payment when due, in accordance with the terms of a financing instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

'Financing commitments' are firm irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or irrevocable commitments to provide credit are initially measured at fair value and their initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

(v) Foreign currencies

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognised through OCI.

(vi) Financing receivables

Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 'Financing receivables' captions in the consolidated statement of financial position include:

- Financing receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective profit method and are presented net of expected credit losses; and
- Financing receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss, if applicable.

The following terms are used in financing receivables:

Murabaha

An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

6 Significant accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(vi) Financing receivables (continued)

Istisna'a

An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Ijara

An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent instalments. Ijara could end by transferring the ownership of the asset to the lessee at the end of the agreement or substantially all the risks and returns related to the ownership.

Musharaka

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise

Mudaraba

An agreement between two parties; wherein one of them provides the funds and is called Rab-Ul-Mal and the other provides efforts and expertise and is called the Mudarib and is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. In case of normal loss; the Rab-Ul-Mal would bear the loss of his funds while the Mudarib would bear the loss of his efforts. However, in case of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses. The Group may act as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

Wakala

An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

These products are carried at amortised cost less impairment.

(vii) Investment securities

'Investment securities' caption in the consolidated statement of financial position includes:

- Financing investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit method;
- Financing and equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Financing securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

For financing securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

- Profit income using the effective profit method
- ECL charges and reversals, and
- Foreign exchange gains and losses.

When a financing security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses on equity instruments recognised in OCI are transferred to retained earnings on disposal of an investment.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards or 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 (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities financing and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(ix) Modification of financial assets and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the obligor, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(x) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Group consolidated statement of financial position when, and only when, the Group currently has legally enforceable rights to set off amounts and it intends either to settle them on a net basis or through realize 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 activities.

(xi) Fair value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) In the principal market for the asset or liability; or
(ii) In the absence of principal market, in the most advantageous market for the asset and liabilities.

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.

Fair value is applicable to both financial and non-financial instruments.

6 Significant accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(xii) Designated at FVTPL

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:
(a) The liabilities are managed, evaluated and reported internally on a fair value basis; or
(b) The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

A description of the basis of each designation is set out in relevant notes for the asset or liability class.

(xiii) Sale and repurchase agreements

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

(k) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

(l) Islamic derivatives held for risk management purposes and hedge accounting

The Group follows a hedge accounting model that aligns hedge accounting more closely with risk management. The model measures hedge effectiveness through an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

The Group also performs rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of Islamic derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in 'income from trading activities' except for gains and losses on those Islamic derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in 'other operating income'.

The Group utilises Shariah compliant hedging instruments to satisfy the requirements of its customers, for proprietary trading purposes and to hedge its own exposure to profit rates and currency risk.

Where there is a hedging relationship between an Islamic derivative instrument and a related item being hedged, the hedging instrument is measured at fair value, with any resultant gains and losses being accounted as set out below.

The fair value of Islamic derivative hedging instruments is calculated in the same way as the fair value of financial instruments.

The method of recognising the resulting fair value gain or loss depends on whether the Islamic derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain Islamic derivatives as either:
- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
- Hedge of net investment in a foreign operation.

Hedge accounting is used for Islamic derivatives designated in this way provided certain criteria are met.

(i) Fair value hedge

When an Islamic derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the Islamic derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging Islamic derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective profit method is used, is amortised to profit or loss as part of the recalculated effective profit rate of the item over its remaining life.

(ii) Cash flow hedge
When an Islamic derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of Islamic derivative is recognised in other comprehensive income within 'Cash flow hedges – fair value gains / (losses)'. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Group consolidated statement of income.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the Group consolidated statement of income in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting or the hedge designation is revoked, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the Group consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to the Group consolidated statement of income.

(iii) Net investment hedges
When an Islamic derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve. Any ineffective portion of the changes in the fair value of the Islamic derivative is recognised immediately in Group consolidated statement of income. The amount recognised in other comprehensive income is reclassified to the Group consolidated statement of income as an adjustment on disposal of the foreign operation.

(iv) Islamic derivatives that do not qualify for hedge accounting
Certain Islamic derivative financial instruments do not qualify for hedge accounting. Such Islamic derivative financial instruments include foreign exchange contracts, profit rate swaps and foreign exchange options. Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positives and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative's components using recognized pricing or valuation models as appropriate.

(v) Embedded Islamic derivatives
Islamic derivatives embedded in financial assets, liabilities and non-financial host contacts, are treated as separate Islamic derivatives and recorded at fair value if they meet the definition of an Islamic derivative, their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVTPL. The embedded Islamic derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Group consolidated statement of income.

(m) Inventory
Properties acquired in settlement of financing receivables are held as inventory and are stated at lower of cost or net realisable value. Directly attributable costs incurred in the acquisition of inventory is included as part of cost of the inventory.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date.

(n) Property, equipment and depreciation

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

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

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Freehold premises	25 – 60 years
Freehold improvements	10 years
Leasehold improvements	7 years
Furniture, fixtures and office equipment	5 years
Computer hardware and software	4 – 5 years
Core banking software	5 – 7 years
Motor vehicles	3 – 5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Group consolidated statement of income.

(o) Investment properties

The Group holds certain properties as investments to earn rental income, for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and accumulated impairment (if any).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in 'other operating income' in the year of retirement or disposal.

Transfers to and from investment properties are made only when there is a change in use based on the business model.

(p) Intangible assets

(i) Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets 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.

Amortisation is recognised in the Group consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

(ii) Other intangible assets
Intangibles acquired separately are measured on initial recognition at cost. The cost of the intangibles acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible asset are assessed to be either finite or indefinite. Intangibles with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and amortisation method for intangibles with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in an accounting estimate. The amortisation expense on intangibles with finite lives is recognised in the Group consolidated income statement in the expense category consistent with the function of the intangibles.

(q) Impairment of non financial assets
The carrying amounts of the Group's non-financial assets are reviewed periodically to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group or units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(r) Deposits, financing receivables and Sukuks issued
Deposits, financing receivables and Sukuks issued are the main sources of funding for the Group.

Deposits, financing receivables and Sukuks issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit method.

(s) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(t) Employee benefits
(i) Pension obligations
The Group operates a pension scheme in respect of eligible UAE national employees in compliance with the UAE Federal Law on Pensions and Social Security. Arrangements for benefits for overseas employees is made in accordance with local regulations and customs. Full provision is made for all accrued benefits.

The Group also pays contributions to trustee administered funds on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

(ii) Termination gratuity benefit scheme
In compliance with UAE labour law, the Group has a termination gratuity benefit scheme covering all of its expatriate salaried employees who have been employed with the Group for more than one year. The provision for gratuity is recorded through the consolidated statement of income.

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuities include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The value of the gratuity obligations is based on the report submitted by an independent actuarial firm.

6 Significant accounting policies (continued)

(u) Dividend on shares

Dividends on shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in the Annual General Meeting.

(v) Share capital and reserves

Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(w) Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of potential ordinary shares, if any.

(x) Operating segments

For management purposes, the Group is organised into operating segments based on their products, services and certain subsidiaries which are independently managed by the respective segment managers responsible for the performance of the segments under their charge.

The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28.

(y) Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries,
- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has any interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(z) Profit distribution

Profit distribution between the unrestricted account holders (investment, saving and Wakala accounts) and the Shareholders, is according to the instructions of the Bank's Internal Shariah Supervision Committee.

Net income realised from Mudaraba Pool, at the end of each quarter, represents the net profit available for distribution. Net profit available for distribution between unrestricted account holders and shareholders is calculated after deducting the Mudarib share as per the agreed and declared percentage.

Profit Distribution is on a pro rata-basis of the weighted average balances of unrestricted customers' accounts and Shareholders' funds. No priority is given to either party in the Mudaraba Pool.

(aa) Zakat

The Bank discharges Zakat (Alms) as per its Articles of Association. The Bank calculates Zakat based on the guidance of its Internal Shariah Supervision Committee as follows:

- Zakat is calculated as per the Net Investment Asset method.
- Zakat is disbursed to Shariah channels through a committee formed by the management.

(ab) Profit equalisation reserve

Profit equalisation reserves are amounts appropriated out of the common mudaraba pool's income, before allocating the mudarib share, in order to maintain a certain level of return on investments for all the investment account holders and other investors in the common mudaraba pool.

(ac) Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Internal Shariah Supervision Committee. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance

(ad) Revenue recognition

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group also operates a rewards programme which allows customers to accumulate points when they purchase products on the Group's credit cards. The points can then be redeemed for shopping rewards, cash back or air miles, subject to a minimum number of points being obtained.

(ae) Corporate tax in UAE

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

As the Group's accounting year ends on 31 December, accordingly the effective implementation date for the Group will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The CT Law confirms the rate of 9% to be applied to taxable income exceeding a specified threshold. It is not currently foreseen that the Group will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) – Pillar Two rules by the countries where the Group operates and the implementation of a top-up tax regime by UAE MOF.

As per the Group's assessment, there is no deferred tax impact on account of the CT Law in the Group consolidated financial statements for the year ended 31 December 2023. Furthermore, based on the Group's assessment, the expected effective tax rate that it will be subject to in the UAE is 9%.

7 Standards issued but not yet adopted

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023, with the Group not opting for early adoption.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* relating to Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements* relating to Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures relating to Supplier Finance Arrangements*	1 January 2024

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

8 Cash and deposits with the Central Bank of the UAE

	2023 AED 000	2022 AED 000
Cash	**902,981**	517,586
Statutory and other deposits with the Central Bank of the UAE	**6,542,899**	4,321,753
Murabaha with the Central Bank of the UAE	**7,535,261**	7,186,947
	14,981,141	12,026,286

The reserve requirements which are kept with Central Bank of the UAE are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserves required changes periodically in accordance with the directives of the Central Bank of UAE.

9 Due from banks

	Local (UAE) AED 000	**Foreign AED 000**	**Total AED 000**
31 December 2023			
Time	**1,651,631**	**4,102,790**	**5,754,421**
Overnight, call and short notice	**6,090**	**384,666**	**390,756**
Gross due from banks	**1,657,721**	**4,487,456**	**6,145,177**
Less: Expected credit losses			**(14,023)**
			6,131,154

	Local (UAE) AED 000	Foreign AED 000	Total AED 000
31 December 2022			
Time	1,072,824	2,594,301	3,667,125
Overnight, call and short notice	677,513	278,938	956,451
Gross due from banks	1,750,337	2,873,239	4,623,576
Less: Expected credit losses			(9,100)
			4,614,476

10 Investment Securities

	Domestic* AED 000	Regional** AED 000	International*** AED 000	Total AED 000
31 December 2023				
DESIGNATED AS AT FVTPL				
Equity	**–**	**64,172**	**–**	**64,172**
Others	**–**	**–**	**–**	**–**
	–	**64,172**	**–**	**64,172**
MEASURED AT AMORTISED COST				
Government Sukuk	**1,145,290**	**1,242,179**	**262,834**	**2,650,303**
Corporate Sukuk	**794,031**	**404,133**	**669,308**	**1,867,472**
	1,939,321	**1,646,312**	**932,142**	**4,517,775**
Less: Expected credit losses				**(4,715)**
				4,513,060
MEASURED AT FVOCI				
Government Sukuk	**–**	**80,579**	**460,316**	**540,895**
Corporate Sukuk	**2,563,407**	**1,050,027**	**1,716,716**	**5,330,150**
	2,563,407	**1,130,606**	**2,177,032**	**5,871,045**
Less: Expected credit losses				**(18,615)**
				5,852,430
Gross investment securities	**4,502,728**	**2,841,090**	**3,109,174**	**10,452,992**
Net investment securities				**10,429,662**

As at 31 December 2023, the fair value of investment securities measured at amortized cost amounted to AED 4,526 million (31 December 2022: AED 1,226 million).

Investment securities with the carrying amount of AED 345 million (2022: Nil) and fair value of AED 335 million (2022: Nil) were collateralised for obligations under due to banks (refer note 13).

	Domestic* AED 000	Regional** AED 000	International*** AED 000	Total AED 000
31 December 2022				
Designated as at FVTPL				
Equity	106,600	64,182	–	170,782
Others	–	–	116	116
	106,600	64,182	116	170,898
Measured at amortised cost				
Government Sukuk	114,469	902,379	–	1,016,848
Corporate Sukuk	–	–	243,553	243,553
	114,469	902,379	243,553	1,260,401
Less: Expected credit losses				(491)
				1,259,910
Measured at FVOCI				
Government Sukuk	–	80,730	449,653	530,383
Corporate Sukuk	3,148,834	858,405	1,416,828	5,424,067
	3,148,834	939,135	1,866,481	5,954,450
Less: Expected credit losses				(29,387)
				5,925,063
Gross investment securities	3,369,903	1,905,696	2,110,150	7,385,749
Net investment securities				7,355,871

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East.
***International: These are securities issued outside the Middle East.

11 Financing receivables

	2023 AED 000	2022 AED 000
At Amortised Cost		
Murabaha	**37,048,788**	32,616,411
Credit cards receivable	**2,876,335**	2,287,312
Wakala	**359,983**	364,502
Istissna'a	**1,689,745**	1,306,557
Ijara	**18,270,242**	17,820,042
Others	**14,548**	115,001
	60,259,641	54,509,825
Less: Deferred income	**(1,660,758)**	(1,428,178)
Gross financing receivables	**58,598,883**	53,081,647
Less: Expected credit losses	**(4,851,146)**	(4,712,669)
Net financing receivables	**53,747,737**	48,368,978
Total of impaired financing receivables	**3,682,118**	3,692,074

	2023 AED 000	2022 AED 000
By Business Units		
Corporate banking	**22,265,033**	20,768,213
Retail banking	**36,333,850**	32,313,434
	58,598,883	53,081,647

Ijara assets amounting to AED 2.9 billion (2022: AED 2.3 billion) were securitised for the purpose of issuance of Sukuk liability (refer note 15).

Allowances of impairment on financing receivables have been disclosed in further detail in note 35 I.

12 Other assets

	2023 AED 000	2022 AED 000
Profit receivable	**145,725**	153,644
Prepayments and other advances	**166,050**	96,871
Sundry financing and other receivables	**5,500**	14,924
Deferred sales commission	**23,269**	21,852
Goods available-for-sale	**41,574**	77,855
Others	**463,558**	395,247
	845,676	760,393

13 Due to banks

	2023 AED 000	2022 AED 000
Demand and call deposits	**543,161**	42,636
Repurchase agreements with banks	**327,121**	–
Time and other deposits	**4,922,093**	1,837,445
	5,792,375	1,880,081

The profit paid on the above averaged 3.89% p.a. (2022: 1.50% p.a).

14 Customer deposits

	2023 AED 000	2022 AED 000
(a) By Type		
Demand, call and short notice	**29,495,837**	24,921,802
Wakala	**13,330,344**	13,028,063
Time deposits	**1,514,051**	1,861,928
Savings	**16,557,979**	15,957,744
Others	**416,704**	574,118
	61,314,915	56,343,655
(b) By Business Units		
Corporate banking	**11,444,545**	12,874,573
Retail banking	**49,870,370**	43,469,082
	61,314,915	56,343,655

The profit rates paid on the above deposits averaged 1.26% p.a. (2022: 0.50% p.a.).

15 Sukuk payable

a) During 2023, the Group issued Sukuk amounting to AED 1 billion to raise AED denominated medium term finance via a Shariah compliant Sukuk financing arrangement. In years 2020 and 2021, Group had issued AED 3.7 billion to raise US Dollar denominated medium term finance via a Shariah compliant Sukuk financing arrangement. As at 31 December 2023, the total outstanding Sukuk payable is AED 4.7 billion.

Following are the details of all the Sukuk financing arrangement in issue.

Issue Date	Amount	Listing	Profit rate (%)	Payment basis	Maturity
September 2020	USD 500,000,000	Irish Stock Exchange & Nasdaq	1.827	Semi annual	September 2025
October 2021	USD 500,000,000	Irish Stock Exchange & Nasdaq	2.082	Semi annual	November 2026
February 2023	AED 1,000,000,000	Nasdaq	5.05	Semi annual	February 2026

The Bank transferred certain identified Ijara assets totalling to AED 2.9 billion (the "co-owned assets") to its subsidiary, EIB Sukuk company limited – (the "Issuer"), a special purpose vehicle formed for the issuance of these Sukuk. The Bank has further entered into a Murabaha with the Sukuk holders for an amount of AED 1.9 billion. This medium term finance is carried at amortised cost.

In substance, the co-owned assets remain in control of the Group; accordingly, these assets continue to be recognised by the Group. In case of any default, the Group has provided an undertaking to make good all losses to the Sukuk holders. The assets are in the control of the Group and shall continue to be serviced by the Group.

The Issuer will pay a semi-annual distribution amount from returns received in respect of the co-owned assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the Sukuk holders on the semi-annual distribution dates. Upon maturity of the Sukuk, the Group has undertaken to repurchase the assets at the exercise price.

	2023 AED 000	2022 AED 000
Balance as at 1 January	**3,672,500**	3,672,500
Issuances	**1,000,000**	–
Balance at 31 December	**4,672,500**	3,672,500

15 Sukuk payable continued

As at 31 December 2023, the outstanding Sukuk payable totalling AED 4,673 million (31 December 2022: AED 3,673 million) is falling due as below:

	2023 AED 000	2022 AED 000
2025	**1,836,250**	1,836,250
2026	**2,836,250**	1,836,250
	4,672,500	3,672,500

a) On 15 May 2015, EI Funding Limited (the "SPE") was incorporated under Companies Law of Cayman Islands as a Special Purpose Entity. The principal activities of the company are to purchase portfolio of assets through issuance of notes. The securitisation results in a certificate pool that lists on NASDAQ clearing system (off market) for private-purpose, over-the-counter dealing. The underlying Shariah structure has been approved by the Bank's Shariah Supervision Committee.

The Bank has transferred part of its investment portfolio to EI Funding Limited (incorporated under Cayman Islands laws). However, the Group retains control over the transferred assets and hence the Group continues to recognize these assets as financing and the investment assets.

16 Other liabilities

	2023 AED 000	2022 AED 000
Profit payable to depositors	**301,577**	141,374
Staff related liabilities	**194,036**	158,055
Managers' cheques	**612,105**	504,412
Trade and other payables	**342,530**	333,159
Zakat payable	**20,992**	44,065
Depositors' Investment risk reserve	**13,603**	2,724
Others	**1,888,460**	1,308,008
	3,373,303	2,491,797

(i) Movement in depositors' investment risk reserve is as follows.

	2023 AED 000	2022 AED 000
Balance as at 1 January	**2,724**	–
Profit earned on reserve balance	**–**	–
Transfer	**11,239**	2,796
Zakat	**(360)**	(72)
Balance at 31 December	**13,603**	2,724

17 Issued capital and share premium reserve

	2023 AED 000	2022 AED 000
Authorized Share Capital		
10,000,000,000 (2022: 10,000,000,000) ordinary shares of AED 1 each (2022: AED 1 each)	**10,000,000**	10,000,000
Issued and fully paid up capital		
5,430,421,875 (2022: 5,430,421,875) ordinary shares of AED 1 each (2022: AED 1 each)	**5,430,422**	5,430,422

18 Reserves

Legal and statutory reserve

In accordance with the Bank's Articles of Association, and in compliance with Decretal Federal Law No. (14) of 2018, a minimum of 10% of profit should be transferred to a non-distributable legal and statutory reserve until such time as this reserve equals 50% of the Bank's issued capital.

Other reserve

10% of the profit is also transferable to a non-distributable regular reserve until such time as this reserve equals 10% of the Bank's issued capital. Since the regular reserve is equal to 10% of the Bank's issued capital, profit was not appropriated to the regular reserve during the year.

	Legal and statutory reserve AED 000	Other reserves AED 000	Total AED 000
At 1 January 2023	815,039	543,043	1,358,082
Transfer from retained earnings*	212,122	–	212,122
At 31 December 2023	1,027,161	543,043	1,570,204

*Prior year comparatives are shown in the consolidated statement of changes in equity.

Fair value reserve

Fair value reserve includes the net change in fair value of FVOCI financial assets and the net effective portion of changes in fair value of cash flow hedges.

19 Income from financing receivables and investment products

	2023 AED 000	2022 AED 000
Financing receivables		
– Murabaha	**2,502,059**	1,441,439
– Ijara	**1,121,916**	650,488
– Istisna'a	**85,117**	39,329
Investment securities measured at FVOCI	**213,015**	174,150
Investment securities measured at amortised cost	**120,338**	34,579
Others	**622,448**	355,335
	4,664,893	2,695,320

20 Distribution on deposits and profit paid to Sukuk holders

	2023 AED 000	2022 AED 000
Distribution to depositors	**832,017**	286,127
Profit paid to Sukuk holders	**118,899**	73,934
	950,916	360,061

Distribution on deposits represents the share of income between depositors and equity holders. The allocation and distribution to depositors is approved by the Internal Shariah Supervision Committee.

Profit paid to Sukuk holders represents the distribution of returns received in respect of assets transferred to the EIB Sukuk Company Limited which was specifically formed for this transaction.

21 Fee and commission income

	2023 AED 000	2022 AED 000
Commission income	**82,041**	71,353
Fee income	**855,037**	758,177
Total fee and commission income	**937,078**	829,530

22 Other operating income

	2023 AED 000	2022 AED 000
Dividend income on equity investments designated at FVTPL	**29**	10,147
Gain from sale of investment securities measured at FVOCI	**37**	1,056
Gain / (loss) from investment securities designated at fair value through profit or loss	**27,774**	22,417
Rental income (net of depreciation)	**4,920**	2,396
Gain on sale of properties (investment properties / inventories)	**9,921**	11,544
Foreign exchange and Islamic derivative income / (loss)*	**499,720**	340,631
Other income (net)	**27,052**	3,471
	569,453	391,662

*Foreign exchange income comprises translation gain and gain on dealings with customers.

23 General and administrative expenses

	2023 AED 000	2022 AED 000
Staff cost	**676,420**	594,832
Recharges from group companies	**437,826**	351,699
Depreciation	**88,573**	86,939
Others*	**568,547**	505,550
	1,771,366	1,539,020

*Others include occupancy, communication, marketing, equipment and supplies, legal and other expenses.

24 Net impairment loss on financial assets

The charge to the income statement for the net impairment loss on financial assets is made up as follows:

	2023 AED 000	2022 AED 000
Net impairment of due from banks	**4,923**	4,802
Net impairment of investment securities	**(6,548)**	14,509
Net impairment of financing receivables (refer note 35 I)	**1,072,701**	587,296
Net impairment of unfunded exposures	**140,034**	(393)
Bad financing written off / (recovery) – net	**(216,472)**	(204,653)
Net impairment loss on financial assets	**994,638**	401,561

25 Directors fees

This comprises of fees payable to the directors of the Group of AED 7 million (2022: AED 7 million).

26 Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, if any.

	2023	2022
Net profit for the year (AED '000)	**2,121,215**	1,240,144
Weighted average number of ordinary shares in issue ('000)	**5,430,422**	5,430,422
Earnings per share* (AED)	**0.391**	0.228

*The diluted and basic EPS were the same at the year end.

27 Islamic derivative financial instruments

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2023	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	**4,352**	**(374)**	**4,394,720**	**2,322,152**	**2,072,568**	**–**	**–**	**–**
Foreign exchange options	**4,587**	**(4,711)**	**654,206**	**105,792**	**317,375**	**231,039**	**–**	**–**
Profit rate swaps/caps	**170,248**	**(173,311)**	**11,863,935**	**–**	**1,101,228**	**5,279,226**	**2,965,090**	**2,518,391**
Total	**179,187**	**(178,396)**	**16,912,861**	**2,427,944**	**3,491,171**	**5,510,265**	**2,965,090**	**2,518,391**
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	**4,986**	**–**	**300,000**	**–**	**–**	**300,000**	**–**	**–**
Total	**184,173**	**(178,396)**	**17,212,861**	**2,427,944**	**3,491,171**	**5,810,265**	**2,965,090**	**2,518,391**

31 December 2022	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	3,534	(2,524)	5,020,278	2,983,492	2,036,786	–	–	–
Foreign exchange options	3,505	(3,612)	136,799	28,303	51,889	56,607	–	–
Profit rate swaps/caps	177,079	(185,364)	9,419,651	–	299,238	2,719,659	3,312,199	3,088,555
Total	184,118	(191,500)	14,576,728	3,011,795	2,387,913	2,776,266	3,312,199	3,088,555
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	–	–	–	–	–	–	–	–
Total	184,118	(191,500)	14,576,728	3,011,795	2,387,913	2,776,266	3,312,199	3,088,555

Islamic derivative related credit risk

Credit risk in respect of Islamic derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group and potential future fluctuations. All credit exposure is managed under approved facilities and in certain cases collateralised. The Group takes a Credit Value Adjustment (CVA) on outstanding derivative transactions. The methodology for CVA calculation relies on three components: the probability of default of the counterparty, the expected positive exposure and the recovery rate. CVA is computed on all asset classes including Foreign Exchange and Profit Rates.

Islamic derivatives held or issued for trading purposes

Most of the Group's Islamic derivative trading activities relate to sales and position coverage. Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks.

Profit rate derivatives trading is conducted under Board approved limits.

Islamic derivatives held or issued for hedging purposes

As part of its asset and liability management, the Group uses Islamic derivatives for hedging purposes in order to reduce its exposure to currency and profit rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall balance sheet exposures.

The Group designates its Islamic derivatives held or issued for hedging purposes as:

- Fair value hedges: Hedges of the fair value of recognised assets or liabilities or firm commitments;
- Cash flow hedges: Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction; and
- Net investment hedges: Hedges of net investments in foreign operations.

27 Islamic derivative financial instruments continued

Islamic derivatives held or issued for hedging purposes continued

Further, in terms of the hedging transactions carried out by the Group, the Group documents:

- At the inception of the transaction, the relationship between hedging instruments and hedged items, the risk being hedged and the Group's risk management objective and strategy for undertaking a hedge transaction.
- The manner in which effectiveness will be measured throughout the life of the hedge relationship.

At the end of period, no derivatives are designated for hedging purposes as "Fair value hedge" or "Net investment hedge".

The Group's assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is measured by the Group on a prospective basis at inception, as well as retrospectively (where applicable) and prospectively over the term of the hedge relationship. Sources of ineffectiveness in hedge accounting include the impact of Islamic derivative related credit risk on the valuation of the hedging Islamic derivative and hedged item. To mitigate this credit risk, the Group executes hedging Islamic derivatives with high quality counterparties and the majority of the Group's hedging Islamic derivatives are collateralised.

Fair value hedges:

The Group uses profit rate swaps to hedge against changes in value of investment securities due to profit rate movements. These are designated by the Group as fair value hedges and, therefore the fair value hedge accounting is applied to hedge movements in the value of fixed profit rate assets and liabilities subject to profit rate risk, as well as assets and liabilities subject to foreign exchange risk.

Subsequent to initial designation, changes in the fair value of Islamic derivatives designated as fair value hedges are accounted for in the 'other operating income', along with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

Cash flow hedges:

The Group uses profit rate swaps and forward rate agreements to hedge against the cash flow risks arising on certain floating rate customer deposits and medium-term financings. Profit rate swaps are also used to hedge against the cash flow risks arising on certain floating rate facilities and receivables. These are designated by the Group as cash flow hedges, and, as such, the Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to profit rate risk on variable rate assets and liabilities, and assets and liabilities subject to foreign exchange risk.

The effective portion of changes in the fair value of Islamic derivatives designated as cash flow hedges are recognised in the fair value reserve within equity. Any gain or loss relating to the ineffective portion is recognised immediately in the Group consolidated statement of income.

28 Operating segments

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

Corporate and institutional banking

Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits.

Retail banking and wealth management

Retail segment provides a wide range of products and services to individuals and small and medium enterprises and accepts their deposits.

Treasury

Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations, and brokerage services.

Others

Other operations of the Group include operations and support functions.

31 December 2023	Corporate and institutional banking AED 000	Retail banking and wealth management AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net income from financing and investment products	**651,496**	**2,150,596**	**376,856**	**535,029**	**3,713,977**
Net fees, commission & other income	**179,691**	**822,304**	**35,780**	**13,819**	**1,051,594**
Total operating income	**831,187**	**2,972,900**	**412,636**	**548,848**	**4,765,571**
General administrative and other expenses	**(90,221)**	**(1,009,377)**	**(23,393)**	**(648,375)**	**(1,771,366)**
Net impairment loss	**(126,668)**	**(876,420)**	**6,282**	**123,816**	**(872,990)**
Net profit / (loss) for the year	**614,298**	**1,087,103**	**395,525**	**24,289**	**2,121,215**
Segment Assets	**27,305,137**	**41,522,562**	**18,966,447**	**17,585**	**87,811,731**
Segment Liabilities and Equity	**14,486,859**	**52,638,886**	**2,848,117**	**17,837,869**	**87,811,731**

31 December 2022	Corporate and institutional banking AED 000	Retail banking and wealth management AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net income from financing and investment products	480,201	1,524,549	153,211	177,298	2,335,259
Net fees, commission & other income	157,800	641,137	34,804	13,025	846,766
Total operating income	638,001	2,165,686	188,015	190,323	3,182,025
General administrative and other expenses	(79,617)	(795,608)	(19,817)	(643,978)	(1,539,020)
Net impairment loss	(96,427)	(290,411)	(15,152)	(871)	(402,861)
Net profit / (loss) for the year	461,957	1,079,667	153,046	(454,526)	1,240,144
Segment Assets	22,756,036	35,742,529	15,961,677	303,476	74,763,718
Segment Liabilities and Equity	14,579,936	45,415,535	1,138,899	13,629,348	74,763,718

29 Commitments and contingencies

The Group's commitments and contingencies are as follows:

	2023 AED 000	2022 AED 000
Letters of credit	**563,001**	648,689
Guarantees	**6,578,967**	5,461,759
Liability on risk participations	**10,781**	–
Irrevocable financing commitments*	**2,795,524**	1,489,294
	9,948,273	7,599,742

*Irrevocable financing commitments represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to draw down have to be fulfilled the total contract amounts do not necessarily represent exact future cash requirements.

The table below summarizes the stage wise balances of unfunded exposures and customer acceptances and ECL thereon:

AED 000	31 December 2023		31 December 2022	
	Stage 1	Stage 2	Stage 1	Stage 2
Unfunded exposures	**10,665,416**	**319,391**	7,923,217	600,368
ECL on unfunded exposures	**151,976**	**7,313**	19,201	52

Unfunded exposure includes guarantees, standby letter of credits and irrevocable financing commitments.

(a) Acceptance

Under IFRS 9, acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there is no off balance sheet commitment for acceptances.

(b) Capital Commitments

The Group has commitments as at 31 December 2023 for branch refurbishments and automation projects of AED 11.2 million (2022: AED 9.7 million).

30 Related party transactions

The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (40.92%, 2022: 55.75%). The Government of Dubai is the major shareholder in Investment Corporation of Dubai.

Customer accounts from and financing to Government related entities, other than those that have been individually disclosed, amount to 14.2% and 4.2% (2022: 16.0% and 4.0%) of the total customer's deposits and financing receivables of the Group, respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on normal commercial terms.

The Group has also entered into transactions with certain other related parties who are non-government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the period with key management personnel and their immediate relations at the year end.

Related party balances and transactions are carried out on normal commercial terms and are as follows:

	2023 AED 000	2022 AED 000
Financing and other receivables		
To parent and related companies	**429,743**	971,157
To directors and related companies	**4,240**	8,671
To key management personnel and affiliates	**3,592**	164
	437,575	979,992
Customer deposits and other payables		
From ultimate parent company	**9**	183,635
From parent and related companies	**4,578,147**	1,505,156
From directors and related companies	**99**	161
From key management personnel and affiliates	**18,983**	17,847
	4,597,238	1,706,799
Investment securities and Islamic derivatives		
Investment in ultimate parent company	**186,045**	191,577
Positive fair value of Islamic derivative – Parent and related companies	**67,476**	103,257
Negative fair value of Islamic derivative – Parent and related companies	**(116,858)**	(81,130)
Notional amount of Islamic derivative – Parent and related companies	**10,804,699**	9,725,512
Group Consolidated Statement of Income		
Recharges from group companies	**(437,826)**	(351,699)
Income from investment in ultimate parent company	**6,443**	6,443
Income on financing receivables		
From parent and related companies	**55,114**	12,527
Distribution on deposits		
To ultimate parent company	**3,911**	4,061
To parent and related companies	**25,800**	8,591

The total amount of compensation paid to key management personnel of the Group during the year was as follows:

	2023 AED 000	2022 AED 000
Key management compensation		
Short term employee benefits	**30,754**	24,443
Post employment benefits	**1,062**	3,003

31 Geographical distribution of assets and liabilities

The Group's financial position, before taking into account any collateral held or other credit enhancement, can be analysed by the following regions:

31 December 2023	UAE AED 000	Other GCC AED 000	International AED 000	Total AED 000
ASSETS				
Cash and deposits with the Central Bank of the UAE	**14,981,141**	**–**	**–**	**14,981,141**
Due from banks	**1,643,698**	**1,804,977**	**2,682,479**	**6,131,154**
Investment securities	**4,492,761**	**2,839,039**	**3,097,862**	**10,429,662**
Financing Receivables	**52,292,815**	**1,198,431**	**256,491**	**53,747,737**
Positive fair value of Islamic derivatives	**184,173**	**–**	**–**	**184,173**
Customer acceptances	**1,036,534**	**–**	**–**	**1,036,534**
Investment properties	**184,806**	**–**	**–**	**184,806**
Property and equipment	**270,848**	**–**	**–**	**270,848**
Other assets	**845,676**	**–**	**–**	**845,676**
TOTAL ASSETS	**75,932,452**	**5,842,447**	**6,036,832**	**87,811,731**
LIABILITIES				
Due to banks	**4,954,915**	**160,310**	**677,150**	**5,792,375**
Customer deposits	**60,092,326**	**267,519**	**955,070**	**61,314,915**
Sukuk payable	**4,672,500**	**–**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**178,396**	**–**	**–**	**178,396**
Customer acceptances	**1,036,534**	**–**	**–**	**1,036,534**
Other liabilities	**3,373,303**	**–**	**–**	**3,373,303**
Total equity	**11,443,708**	**–**	**–**	**11,443,708**
TOTAL LIABILITIES AND EQUITY	**85,751,682**	**427,829**	**1,632,220**	**87,811,731**
Geographical distribution of letters of credit and guarantees	**6,390,411**	**151,449**	**600,108**	**7,141,968**

31 December 2022				
Geographical distribution of assets	65,276,404	3,991,197	5,496,117	74,763,718
Geographical distribution of liabilities and equity	73,546,446	548,088	669,184	74,763,718
Geographical distribution of letters of credit and guarantees	5,920,252	124,134	66,062	6,110,448

32 Financial assets and liabilities

A. Classification of financial assets and financial liabilities

The table below sets out the Group's classification of each class of financial assets and liabilities, and their carrying values.

31 December 2023	FVTPL AED 000	FVOCI AED 000	Amortised cost* AED 000	Hedging instruments AED 000	Total carrying value AED 000
Financial assets					
Cash and deposits with the Central Bank of the UAE	**–**	**–**	**14,981,141**	**–**	**14,981,141**
Due from banks	**–**	**–**	**6,131,154**	**–**	**6,131,154**
Investment securities	**64,172**	**5,852,430**	**4,513,060**	**–**	**10,429,662**
Financing receivables	**–**	**–**	**53,747,737**	**–**	**53,747,737**
Positive fair value of Islamic derivatives	**179,187**	**–**	**–**	**4,986**	**184,173**
Others	**–**	**–**	**1,651,317**	**–**	**1,651,317**
	243,359	**5,852,430**	**81,024,409**	**4,986**	**87,125,184**
Financial liabilities					
Due to banks	**–**	**–**	**5,792,375**	**–**	**5,792,375**
Customer deposits	**–**	**–**	**61,314,915**	**–**	**61,314,915**
Sukuk payable	**–**	**–**	**4,672,500**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**178,396**	**–**	**–**	**–**	**178,396**
Others	**–**	**–**	**4,409,837**	**–**	**4,409,837**
	178,396	**–**	**76,189,627**	**–**	**76,368,023**

*The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

32 Financial assets and liabilities continued

A. Classification of financial assets and financial liabilities continued

31 December 2022	FVTPL AED 000	FVOCI AED 000	Amortised cost* AED 000	Hedging instruments AED 000	Total carrying value AED 000
Financial assets					
Cash and deposits with the Central Bank of the UAE	–	–	12,026,286	–	12,026,286
Due from banks	–	–	4,614,476	–	4,614,476
Investment securities	170,898	5,925,063	1,259,910	–	7,355,871
Financing receivables	–	–	48,368,978	–	48,368,978
Positive fair value of Islamic derivatives	184,118	–	–	–	184,118
Others	–	–	1,487,658	–	1,487,658
	355,016	5,925,063	67,757,308	–	74,037,387
Financial liabilities					
Due to banks	–	–	1,880,081	–	1,880,081
Customer deposits	–	–	56,343,655	–	56,343,655
Sukuk payable	–	–	3,672,500	–	3,672,500
Negative fair value of Islamic derivatives	191,500	–	–	–	191,500
Others	–	–	3,415,640	–	3,415,640
	191,500	–	65,311,876	–	65,503,376

*The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

B. Fair value of financial instruments

The table below analyses financial instruments measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

31 December 2023	**Level 1 AED 000**	**Level 2 AED 000**	**Level 3 AED 000**	**Total AED 000**
Investment securities				
FVOCI				
Government Sukuk	**532,978**	**–**	**–**	**532,978**
Corporate Sukuk	**5,319,452**	**–**	**–**	**5,319,452**
	5,852,430	**–**	**–**	**5,852,430**
Designated at FVTPL				
Equity	**–**	**–**	**64,172**	**64,172**
Others	**–**	**–**	**–**	**–**
	–	**–**	**64,172**	**64,172**
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives held for trading	**–**	**179,187**	**–**	**179,187**
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	**–**	**4,986**	**–**	**4,986**
	–	**184,173**	**–**	**184,173**
Negative fair value of Islamic derivatives				
Islamic derivatives held for trading	**–**	**(178,396)**	**–**	**(178,396)**
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	**–**	**–**	**–**	**–**
	–	**(178,396)**	**–**	**(178,396)**
	5,852,430	**5,777**	**64,172**	**5,922,379**

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL AED 000
Balance as at 1 January 2023	**64,298**
Total gains or losses:	
– in profit or loss	**6,969**
Transfers out of level 3	**–**
Settlements and other adjustments	**(7,095)**
Balance as at 31 December 2023	**64,172**
	64,172

31 December 2022	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment securities				
FVOCI				
Government Sukuk	522,128	–	–	522,128
Corporate Sukuk	5,402,935	–	–	5,402,935
	5,925,063	–	–	5,925,063
Designated at FVTPL				
Equity	–	106,600	64,182	170,782
Others	–	–	116	116
	–	106,600	64,298	170,898
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives held for trading	–	184,118	–	184,118
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	–	–	–
	–	184,118	–	184,118
Negative fair value of Islamic derivatives				
Islamic derivatives held for trading	–	(191,500)	–	(191,500)
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	–	–	–
	–	(191,500)	–	(191,500)
	5,925,063	99,218	64,298	6,088,579

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL AED 000
Balance as at 1 January 2022	150,583
Total gains or losses:	
– in profit or loss	(49,650)
Transfers out of level 3	(36,635)
Settlements and other adjustments	–
Balance as at 31 December 2022	64,298

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2023 and 31 December 2022.

33 Notes to the group consolidated cash flow statement

	2023 AED 000	2022 AED 000
(a) Analysis of changes in cash and cash equivalents during the year		
Balance at beginning of year	**7,097,319**	56,430
Net cash inflow / (outflow)	**(10,067,839)**	7,040,889
Balance at end of year	**(2,970,520)**	7,097,319
(b) Analysis of cash and cash equivalents		
Cash and deposits with the Central Bank of the UAE	**14,981,141**	12,026,286
Due from banks	**6,145,177**	4,623,576
Due to banks	**(5,792,375)**	(1,880,081)
	15,333,943	14,769,781
Less: Deposits with the Central Bank for regulatory purposes	**(5,498,131)**	(3,013,129)
Less: Murabaha with the Central Bank maturing after three months	**(7,535,257)**	(2,580,486)
Less: Amounts due from banks maturing after three months	**(5,278,566)**	(2,232,793)
Add: Amounts due to banks maturing after three months	**7,491**	153,946
	(2,970,520)	7,097,319
(c) Adjustment for non cash and other items		
Net impairment loss / (reversal) on due from banks / other assets	**4,923**	4,802
Net impairment loss / (reversal) on investment securities	**(6,548)**	14,509
Impairment loss on financing receivables	**1,072,701**	587,296
Impairment loss on unfunded exposures	**140,034**	(393)
Dividend income on equity investments	**(29)**	(10,147)
Depreciation / impairment on property and equipment / investment properties	**(21,430)**	101,047
Unrealised (gain) / loss on investments	**51,306**	(101,212)
(Gain) / loss on sale of properties (investment properties / inventories)	**(9,921)**	(11,544)
	1,231,036	584,358

34 Capital management and allocation

The CBUAE supervises the Group on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Effective from 2017, the capital is computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision (Basel Committee), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three pillars: minimum capital requirements, supervisory review process and market discipline.

Minimum Capital Requirements

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital.

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

Regulatory Capital

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.
- AT1 capital comprises eligible non-common equity capital instruments. The Group does not have AT1 capital at the end of reporting period.
- T2 capital comprises qualifying subordinated financing, and undisclosed reserve.

The capital overview as per Basel III framework is given below:

	2023 AED 000	2022 AED 000
Available capital		
Common equity tier 1 capital	**11,726,133**	9,427,854
Tier 1 capital	**11,726,133**	9,427,854
Total eligible capital	**12,426,801**	10,033,965
Risk-weighted assets		
Credit risk	**56,053,403**	48,488,869
Market risk	**101,515**	84,066
Operational risk	**5,830,949**	4,196,721
Total risk-weighted assets	**61,985,867**	52,769,656

Capital Ratio	2023	2022
a. Total capital ratio for consolidated Group	**20.05%**	19.01%
b. Tier 1 ratio only for consolidated Group	**18.92%**	17.87%
c. CET1 ratio only for consolidated Group	**18.92%**	17.87%

The capital adequacy ratios as per Basel III capital regulation are given below:

	2023 AED 000	2022 AED 000
Common Equity Tier 1 (CET1) Capital		
Share Capital	**5,430,422**	5,430,422
Eligible reserves	**1,300,225**	982,607
Transitional arrangement: Partial addback of ECL impact to CET1	**362,479**	209,588
Retained earnings / (-) loss	**4,713,061**	2,847,314
CET1 capital before the regulatory adjustments and threshold deduction	**11,806,187**	9,469,931
Less: Regulatory deductions	**(80,054)**	(42,077)
Total CET1 capital after the regulatory adjustments and threshold deduction	**11,726,133**	9,427,854
Total CET1 capital after transitional arrangement for deductions (CET1) (A)	**11,726,133**	9,427,854
Additional Tier 1 (AT1) Capital		
Eligible AT1 capital	**-**	-
Other AT1 Capital (e.g. Share premium, non-controlling interest)	**-**	-
Total AT1 capital	**-**	-
Total AT1 capital after transitional arrangements (AT1) (B)	**-**	-
Tier 2 (T2) Capital		
Other Tier 2 capital (including General Provisions, etc.)	**700,668**	606,111
Total T2 Capital	**700,668**	606,111
Total T2 capital after transitional arrangements (T2) (C)	**700,668**	606,111
Total Regulatory Capital (A+B+C)	**12,426,801**	10,033,965

35 Risk management

The primary risks to the Group arise from extending credit to corporate and institutional banking and retail banking and wealth management customers. The Group is also exposed to a range of other risk types such as market, operational, liquidity, compliance, reputational, country, market conduct risk and legal that drive the direction of its risk management strategy, product range and risk diversification strategies.

Group Risk Management Framework (GRMF):

The GRMF enables the Group to manage group-wide risks with the objective of maximising returns while adhering to our risk appetite.

The Group uses a three lines of defence model to support its approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities. The three lines of defence are summarized below:

- Business units: required to ensure the effective management of risks within the scope of their direct organisational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities.
- Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Group's risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the management chain.
- Group Internal Audit: provides independent assurance and reports its findings to all relevant management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.

35 Risk management continued

A. Risk governance

The risk governance structure of the group ensures central oversight and control with clear accountability for and ownership of risk.

The Board of Directors (the Board) has the ultimate responsibility for setting Group's risk appetite and for the establishment and oversight of the Group's risk management framework. This is managed through a number of committees; namely Board Risk Committee (BRC), Board Credit & Investment Committee (BCIC) and Board Audit Committee (BAC). The management level committees also actively manage risk particularly the Group Risk Committee (GRC), Management Credit Committee (MCC), Management Investment Committee (MIC) and Asset Liability Management Committee (ALCO).

BRC comprises of members of the Board and is responsible for risk oversight responsibilities of the Board with regards to risk governance, risk appetite and the risk management framework. The BRC receives reports on risk management including portfolio trends, policies and standards, stress testing, liquidity and capital adequacy and is authorized to investigate or seek any information relating to any activity within its terms of reference.

BCIC supports the Board to manage the credit and investment portfolios of the Bank and is responsible for approval of credit and investment decisions above the MCC and MIC's authority. It oversees the execution of Group's credit risk management and reviews the credit profile of material portfolios to ensure that it is aligned with business strategy and risk appetite.

The primary role BAC is to have oversight and review of financial, audit and internal control issues as well as oversee the independence and performance of group's external and internal auditors.

MCC is management level committee which carries out credit facilities decisions including but not limited to approval and renewal of credit facilities, review and monitor portfolio performance in line with the credit risk strategy, decisions on debt settlement, provisioning write off and amendments to pricing, grades and waiver.

The role of the MIC is to support the Board in the management of the Investment Portfolios of the Group to ensure they conform to the strategic vision of the same and support the Board in monitoring and reporting the performance of these portfolios.

The ALCO is responsible for balance sheet management and quality of the funding plan as well as the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and profit rate risk. The committee also approves the contingency funding plan as well as the funds transfer pricing among other things.

The GRC is responsible for the management of all risks other than those delegated to MCC, MIC and ALCO and ensures the effective management of risk throughout the group in support of the group's business strategy and group's risk appetite. The committee approves risk policies and analytical models to ensure effective management of credit, market, operational, business continuity and reputational, compliance, market conduct risk and legal and other risks confronting the group.

B. The risk function

The GRMF is managed by the Enterprise and Regulatory Risk. The function is independent of the business (origination, trading and sales functions) to ensure that the necessary balance in risk/return decisions is not compromised by pressures for better results in terms of revenues and to ensure transparency of decisions in accordance with group standards and policies.

Group Risk assists in controlling and actively managing the Group's overall risk profile. The role of the function is:

- To ensure the risk management framework is effectively communicated and implemented across the Group and is appropriate to the Group's activities;
- To exercise direct ownership for various risk types including but not limited to credit, market, country, operational, reputational risks;
- To ensure that the Group's business strategies, risk policies, procedures and methodologies are consistent with the Group's risk appetite;
- To ensure the integrity of the Group's risk/return decisions guaranteeing their transparency;
- To ensure that appropriate risk management architecture and systems are developed and implemented.

C. Risk appetite

The Group Risk Appetite Statement (Group RAS) is an articulation of the risk that the Group would be willing to accept, underwrite and/or be exposed to in the normal course of its business conduct.

The Group RAS is a critical component and extension of the GRMF. It is a mechanism used by the Group to proactively establish and subsequently monitor the group's risk profile using a set of pre-defined key risk metrics and respective thresholds.

D. Credit risk

Credit risk is the risk of financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligation to the Group. Credit risk arises mainly from interbank, corporate and institutional banking and retail banking and wealth management receivables, and financing commitments arising from such financing activities, but can also arise from credit enhancement provided, such as financial guarantees, letter of credit, endorsement and acceptances.

The Group is also exposed to other credit risks arising from investments in financing securities (Sukuk) and other exposures arising from derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk management

Group's approach to credit risk management is based on the foundation of independence and integrity of risk management. This is ensured through a well-defined and robust organisation structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework.

The Group's credit policy focuses on the core credit principles, financing guidelines and parameters, control and monitoring requirements, problem financing receivable identification, management of high risk counterparties and provisioning. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Portfolio performance is periodically measured against RAS parameters and breaches, if any, are actioned by the Group's Executive Committee.

Corporate and institutional Banking, Business Bank and Private Banking credit risk management

Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

Management of Early Alert (EA), Watch List (WL) & Impaired Non Performing Financing Receivables (NPFR) – The Group has a well-defined process for identification of EA, WL & NPFR accounts and dealing with them effectively. There are policies which govern credit grading of EA, WL & NPFR accounts and impairment, in line with IFRS and regulatory guidelines.

Retail banking credit risk management

The Group has a structured management framework for Retail banking risk management. The framework enables the Group in identification and evaluation of the significance of all credit risks that the Group faces, which may have an adverse material impact on its financial position.

In the retail banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to funding transactions.

The Group's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Group to prudently recognize impairment on its retail portfolios.

Model risk management and independent validation

The Group has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS 9 accounting standards.

To manage the model risks, the Group has implemented the Group Model Governance Framework (the Framework). The Framework is a group wide policy and is applicable to models in all entities and subsidiaries of the Group. According to the Framework, all internally or externally (vendor based) developed risk quantification models that directly affect financial reporting, including Expected Loss (EL), Lifetime Expected Loss (LEL) and Regulatory requirements require independent validation.

The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework must be approved by the Board of Directors or the BRC.

35 Risk management continued

D. Credit risk continued

Credit risk management continued

Model risk management and independent validation continued

The Group has an independent Group Model Validation (GMV) function that performs independent model validation. It provides Fit-for-Purpose (FFP), Conditional Approval (CA) or Not Fit-for-Purpose (NFFP) recommendation for the BRC or an appropriately delegated authority to approve the use of the new risk quantification / valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process. The independency of the team enables it to serve as an effective second line of defence for the bank.

Credit approving authorities

BCIC has delegated credit approving authorities to the MCC, MIC and members of senior management to facilitate and effectively manage the business. However, BCIC has retained the ultimate authority to approve credits beyond MCC authority.

Credit risk measurement

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

Credit risk grading

The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to various categories of counterparty. Obligor and financing receivable specific information collected at the time of facility application (such as disposable income, and level of collateral for retail exposure; and turnover and industry type considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated, such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the PD between a 1A and 2A rating grade is lower than the difference in the PD between a 3A and 4A rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail:

After the date of initial recognition, for retail business, the payment behaviour of the obligor is monitored on a periodic basis to develop a behavioural score. Any other known information about the obligor which impacts their credit worthiness such as: unemployment and previous delinquency history is also incorporated into the behaviour score. This score is mapped to a PD.

Corporate and institutional Banking, Business Banking and Private Banking:

Ratings are determined at the obligor level for these segments. A relationship manager incorporates any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the obligor every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Treasury:

For financing securities (Sukuk) in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

The Group's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Group's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over the time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit-quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognized is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on Purchased or originated credit-impaired financial assets is measured on a lifetime basis.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:
Corporate and Institutional Banking, Business Banking and Private Banking:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date.

Retail:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:
The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:
The obligor is more than 90 days past due on its contractual payments.

Qualitative:
The obligor meets unlikeliness to pay criteria, which indicates the obligor is in significant financial difficulty. These are instances like long-term forbearance, obligor is insolvent, obligor is entering bankruptcy etc.

Curing

The Group continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Group is observing a probationary period of a minimum of 4 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposures from Stage 3 to 2.

Measuring ECL – Explanations of input, assumptions and estimation techniques

ECL inputs (PD, EAD and LGD) are adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective profit rate or an approximation thereof.

The Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the financing receivable. The maturity profile is based on historical observed data.

The EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment financings, this is based on the contractual repayments owed by the obligor over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the obligor.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and other criteria's depending upon business segment. In addition, the final LGD is conditioned upon macro-economic outlook.

Forward looking economic information is also included in determining the 12 month and lifetime PD, EAD and LGD.

35 Risk management continued

D. Credit risk continued

Credit risk measurement continued

Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Credit risk monitoring

Corporate and Institutional Banking, Business Banking and Private Banking: the Group's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

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

Group credit risk mitigation strategy

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

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

The risk transfer in the form of syndicated financings and risk participation agreements with other banks are globally accepted practices followed by the Group, where appropriate, to limit its exposure.

Collateral management

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

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

Please refer to Pillar 3 disclosures for additional information on collaterals.

Write offs

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

Non performing consumer financing, except for mortgage facilities and home financing, are written off at 181 days past due. All receivables remain active on the financing management system for recovery and any legal strategy the Group may deem fit to use.

E. Analysis by economic activity for assets:

The Group monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

	2023		2022	
	Financing receivables	**Others**	Financing receivables	Others
Manufacturing	**2,391,314**	**400,058**	2,614,767	323,360
Construction	**741,005**	**317,291**	768,790	315,448
Trade	**5,463,957**	**–**	5,223,456	–
Transport and communication	**604,412**	**1,223,101**	83,295	977,126
Utilities and services	**1,983,044**	**768,265**	1,479,023	561,878
Sovereign	**225,639**	**3,191,198**	793,730	1,547,220
Personal	**36,772,410**	**–**	32,609,059	–
Real estate	**4,546,094**	**–**	3,832,212	–
Hotels and restaurants	**91,565**	**–**	91,214	–
Management of companies and enterprises	**3,160,155**	**–**	3,141,246	–
Financial institutions and investment companies	**1,064,005**	**10,514,039**	1,534,385	8,193,792
Others	**3,216,041**	**184,217**	2,338,648	90,488
Total Assets	**60,259,641**	**16,598,169**	54,509,825	12,009,312
Less: Deferred Income	**(1,660,758)**	**–**	(1,428,178)	–
Less: Expected credit loss	**(4,851,146)**	**(37,353)**	(4,712,669)	(38,978)
	53,747,737	**16,560,816**	48,368,978	11,970,334

Others includes due from banks and investment securities.

F. Classification of investment securities as per their external ratings

As of 31 December 2023	**Designated at FVTPL AED 000**	**FVOCI AED 000**	**Amortised cost AED 000**	**Total AED 000**
Ratings				
AAA	**–**	**–**	**238,328**	**238,328**
AA– to AA+	**–**	**934,787**	**939,371**	**1,874,158**
A– to A+	**–**	**2,872,648**	**1,898,469**	**4,771,117**
Lower than A-	**–**	**1,811,034**	**1,390,192**	**3,201,226**
Unrated	**64,172**	**252,576**	**51,415**	**368,163**
Less: Expected credit loss	**–**	**(18,615)**	**(4,715)**	**(23,330)**
	64,172	**5,852,430**	**4,513,060**	**10,429,662**
Of which issued by:				
Governments	**–**	**540,895**	**2,650,303**	**3,191,198**
Public sector enterprises	**–**	**4,592,421**	**1,867,472**	**6,459,893**
Private sector and others	**64,172**	**737,729**	**–**	**801,901**
Less: Expected credit loss	**–**	**(18,615)**	**(4,715)**	**(23,330)**
	64,172	**5,852,430**	**4,513,060**	**10,429,662**

As of 31 December 2022	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
Ratings				
AAA	–	–	183,100	183,100
AA– to AA+	–	607,143	–	607,143
A– to A+	–	3,084,955	815,303	3,900,258
Lower than A-	–	1,988,995	210,583	2,199,578
Unrated	170,898	273,357	51,415	495,670
Less: Expected credit loss	–	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871
Of which issued by:				
Governments	–	530,383	1,016,848	1,547,231
Public sector enterprises	–	4,447,042	243,553	4,690,595
Private sector and others	170,898	977,025	–	1,147,923
Less: Expected credit loss	–	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871

35 Risk management continued

G. Risk gross maximum exposure:

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

	2023 AED 000	2022 AED 000
Deposits with Central Bank	**14,078,160**	11,508,700
Due from banks	**6,131,154**	4,614,476
Investment securities	**10,429,662**	7,355,871
Financing receivables	**53,747,737**	48,368,978
Positive fair value of Islamic derivatives	**184,173**	184,118
Customer acceptances	**1,036,534**	923,843
Other assets	**151,225**	168,568
Total (A)	**85,758,645**	73,124,554
Contingent liabilities	**7,152,749**	6,110,448
Irrevocable commitments	**2,795,524**	1,489,294
Total (B)	**9,948,273**	7,599,742
Total credit risk exposure (A + B)	**95,706,918**	80,724,296

H. Credit quality analysis:

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

AED 000 31 December 2023	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	**48,129,717**	**1,259,856**	**3,692,074**	**53,081,647**
Transfers from stage 1	**(2,178,901)**	**1,588,044**	**590,857**	**–**
Transfers from stage 2	**312,900**	**(652,413)**	**339,513**	**–**
Transfers from stage 3	**367**	**19,846**	**(20,213)**	**–**
New financial assets, net of repayments	**6,280,627**	**156,722**	**14,111**	**6,451,460**
Amounts written off during the year	**–**	**–**	**(934,224)**	**(934,224)**
Total gross financing receivables as at 31 December	**52,544,710**	**2,372,055**	**3,682,118**	**58,598,883**
Expected credit losses	**(1,264,296)**	**(275,465)**	**(3,311,385)**	**(4,851,146)**
Carrying amount	**51,280,414**	**2,096,590**	**370,733**	**53,747,737**
By business units				
Corporate Banking	**18,713,745**	**502,190**	**3,049,098**	**22,265,033**
Retail Banking	**33,830,965**	**1,869,865**	**633,020**	**36,333,850**
Total gross financing receivables	**52,544,710**	**2,372,055**	**3,682,118**	**58,598,883**

AED 000 31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	42,289,030	900,348	3,843,720	47,033,098
Transfers from stage 1	(895,846)	855,641	40,205	–
Transfers from stage 2	84,836	(355,307)	270,471	–
Transfers from stage 3	–	97,279	(97,279)	–
New financial assets, net of repayments	6,651,697	(238,105)	(71,342)	6,342,250
Amounts written off during the year	–	–	(293,701)	(293,701)
Total gross financing receivables as at 31 December	48,129,717	1,259,856	3,692,074	53,081,647
Expected credit losses	(955,482)	(274,920)	(3,482,267)	(4,712,669)
Carrying amount	47,174,235	984,936	209,807	48,368,978
By business units				
Corporate Banking	17,287,769	465,546	3,014,898	20,768,213
Retail Banking	30,841,948	794,310	677,176	32,313,434
Total gross financing receivables	48,129,717	1,259,856	3,692,074	53,081,647

The stage 1 and stage 2 are performing financing receivables having grades 1a – 4f while stage 3 is non-performing financing receivable having grades 5a – 5d.

Corporate Banking – Performing does not include any exposure against watchlist customers.

I. Amounts arising from ECL

	31 December 2023				31 December 2022			
Financing receivables	12-month ECL AED 000	Lifetime ECL not credit-impaired AED 000	Lifetime ECL credit-impaired AED 000	Total AED 000	12-month ECL AED 000	Lifetime ECL not credit-impaired AED 000	Lifetime ECL credit-impaired AED 000	Total AED 000
Balance as at 1 January	**955,482**	**274,920**	**3,482,267**	**4,712,669**	717,111	249,248	3,452,715	4,419,074
Transfers from Stage 1	**(87,730)**	**33,256**	**54,474**	**–**	(17,977)	16,763	1,214	–
Transfers from Stage 2	**20,605**	**(142,035)**	**121,430**	**–**	17,977	(58,814)	40,837	–
Transfers from Stage 3	**367**	**5,663**	**(6,030)**	**–**	–	42,051	(42,051)	–
Allowances for impairment made during the year	**375,572**	**103,661**	**1,076,834**	**1,556,067**	238,371	25,672	532,097	796,140
Write back / recoveries made during the year	**–**	**–**	**(483,366)**	**(483,366)**	–	–	(208,844)	(208,844)
Amounts written off during the year	**–**	**–**	**(934,224)**	**(934,224)**	–	–	(293,701)	(293,701)
Closing balance as at 31 December	**1,264,296**	**275,465**	**3,311,385**	**4,851,146**	**955,482**	**274,920**	**3,482,267**	**4,712,669**

The contractual amount outstanding on financing receivables which were written off during the year, and are still subject to enforcement activity amounted to AED 934 million (2022: AED 294 million).

J. Impairment reserve under the Central Bank of UAE (CBUAE) guidance

The Central Bank of the UAE issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance").

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

	2023 AED 000	2022 AED 000
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	**840,801**	791,545
Less: Stage 1 and Stage 2 provisions under IFRS 9	**(1,539,761)**	(1,288,635)
General provision transferred to the impairment reserve*	**–**	–
Impairment reserve: Specific		
Specific provisions under Circular 28/2010 of CBUAE	**3,070,537**	3,253,620
Less: Stage 3 provisions under IFRS 9	**(3,311,385)**	(3,482,267)
Specific provision transferred to the impairment reserve*	**–**	–
Total provision transferred to the impairment reserve	**–**	–

*In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

K. Market risk

Market risk is the potential for adverse changes in the market value of portfolio and positions due to fluctuations in profit rates, exchange rates, equity prices, commodity prices, as well as in their correlation and implied volatility. Consistent with the Group's approach to strict compliance with Shariah rules and principles, the Group does not involve in speculative foreign exchange transactions.

The Group's market risk is managed through risk limits set by the ALCO and approved by the Board Risk Committee. Risk limits are reviewed by the ALCO on an annual basis and are monitored independently by the Market Risk unit on a regular basis, and exceptions, if any, are reported to senior management.

35 Risk management continued

K. Market risk continued

Value-at-Risk

To better capture the multi-dimensional aspects of market risk, the Group's primary market risk metric is a statistical one, Value-at-Risk (VaR), which is used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes, such as Profit Rate VaR, Foreign Exchange VaR and Total VaR

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to currency risk since the majority of the assets and liabilities of the Group are denominated predominately in either AED or in USD-pegged currencies from other GCC countries.

ii. Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effect on equity due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2023			2022		
	% Change in market indices	**Effect on net profit AED 000**	**Effect on OCI AED 000**	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000
Equity	**10**	**6,417**	**–**	10	17,090	–
Sukuk	**10**	**–**	**585,243**	10	–	592,506

L. Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This definition includes legal risks (described as exposure to fines, penalties and punitive damages resulting from supervisory actions, as well as private settlements), regulatory risks, and the risk arising from change initiatives.

Operational Risk Governance Framework

The Group applies a three line of defence model for operational risk management. The business and support units form the first line of defence. They have the primary responsibility and accountability for identifying operational risk in their areas and to promptly mitigate any issues.

The Operational Risk function as the second line of defence, provide consistent and standardized methods and tools to business and support functions for managing operational risk. The Group Operational Risk unit monitors the risk management process and compliance to the operational risk policies and procedures. It conducts independent analysis of the operational risk exposure and the bank's mitigating strategies.

Internal Audit acts as the third line of defence, provides independent assurance to the Board of Directors.

Operational Risk Management Process

The Group has set up the Operational Risk function within Risk Management Team to establish the framework and governance structure set out in the operational risk policy. The risk management process comprises mainly of the below elements:

- Risk Assessment
- Risk Monitoring and Review
- Risk Treatment
- Risk Reporting

This function develops and implements the methods for the identification, assessment and monitoring of Operational Risk throughout the Group and provides regular and comprehensive reporting on operational risks to senior management. The function supports business and other support units to monitor and manage their individual operational risks. Furthermore, the Group Operational Risk function also provides analysis and reports on operational risks to management committees (Board Risk Committee, Group Risk Committee, Local Risk Committee), and to the CBUAE as per regulations, guidelines / circulars and conducts independent oversight and monitoring of risks and mitigating measures.

Insurance Management

The Group obtains comprehensive and tailored insurance cover to protect the Group against unexpected and unforeseeable losses. Islamic insurance cover is obtained from high rated insurance companies in the international reinsurance market. The requirements for insurance are reviewed periodically and the insurance cover is aligned to changes of the Group's risk exposure.

Fraud Management
The Board and Management are determined to build and maintain a credible defence to the threat posed by fraud.

In line with the evolving banking technologies and digital landscape, management has recognized the need for greater focus on anti-fraud capabilities of the Group. As such the bank is continuously investing into advanced systems and controls for the interdiction of frauds perpetrated against the bank. The bank has increased monitoring and enhanced detective controls to manage fraud risks, which arise from new technologies and new methods of banking.

The Group has a specialized Fraud Prevention and Investigation (FP&I) team which focuses on investigation of fraud attempts against the bank, spreading fraud awareness to stakeholders, identification and mitigation of fraud risks. The team has independent reporting to Board Risk Committee.

The Group has policies and procedures in place to ensure compliance with prevailing legislation and limit risk, including the risk of fraud.

Whistleblowing
The Group is committed to the highest standards of openness, integrity and accountability in the delivery of its services. Whilst the Group has instituted a wide range of rules, regulations, procedures and codes of practice to deliver on its commitments, fraud, malpractice, abuse and/or wrongdoing may unfortunately occur.

As such, the Group as part of 'Whistleblowers Policy', provides the platform to employees for reporting of malpractices. The policy is designed to encourage employees to report suspected internal fraud and other breaches, through specified channels, while safeguarding the employee from retribution.

Cyber Security Management
Emirates Islamic considers Information and related processes, systems, and networks as an important and valuable asset. These assets are required to be protected to ensure their confidentiality, availability and integrity at all times.

The Group has established a comprehensive cyber security framework based on three line of defence model.

The framework ensures Emirates Islamic is resilient to sustain cyber security threats in an evolving and increasingly complex digital environment.

Business Continuity Management
Business Continuity Management (BCM) is defined as a "holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities."

The business continuity process across the Group is based on the international standard ISO22301:2012 (E). The BRC is responsible for providing oversight and strategy for Business Continuity Management. Business and support units are responsible to ensure appropriate Business Continuity Plans are in place and tested for their respective areas. The effectiveness of the Business Continuity Plans is monitored independently by Group Operational Risk.

M. Liquidity risk
Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

Objectives and Governance structure
The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments (under both normal and stressed conditions) can be met when due, and that access to the wholesale markets is coordinated and cost effective. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements.

35 Risk management continued

M. Liquidity risk continued

Policies and Procedures

Specifically, liquidity and funding management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow, retention and decay assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity and financing receivables to deposits ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the concentration and profile of financing maturities;
- maintaining financing plans;
- monitoring customer depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of distress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crisis, while minimising adverse long-term implications for the business.

N. Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on their carrying values:

	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Undated and Over 5 years AED 000	Total AED 000
31 December 2023						
ASSETS						
Cash and deposits with the Central bank of the UAE	**7,752,154**	**7,228,987**	**–**	**–**	**–**	**14,981,141**
Due from banks	**4,178,193**	**1,952,961**	**–**	**–**	**–**	**6,131,154**
Investment securities	**487,398**	**525,153**	**3,245,896**	**3,294,811**	**2,876,404**	**10,429,662**
Financing receivables	**17,501,091**	**7,079,331**	**9,869,542**	**6,131,770**	**13,166,003**	**53,747,737**
Positive fair value of Islamic derivatives	**1,438**	**7,639**	**65,219**	**70,299**	**39,578**	**184,173**
Investment properties	**–**	**–**	**–**	**–**	**184,806**	**184,806**
Customer acceptances	**1,036,534**	**–**	**–**	**–**	**–**	**1,036,534**
Property and equipment	**–**	**–**	**–**	**–**	**270,848**	**270,848**
Other Assets	**313,410**	**–**	**–**	**–**	**532,266**	**845,676**
TOTAL ASSETS	**31,270,218**	**16,794,071**	**13,180,657**	**9,496,880**	**17,069,905**	**87,811,731**
LIABILITIES						
Due to banks	**3,245,332**	**551,476**	**–**	**–**	**1,995,567**	**5,792,375**
Customer deposits	**51,817,180**	**7,864,275**	**857,160**	**341,848**	**434,452**	**61,314,915**
Sukuk payable	**–**	**–**	**4,672,500**	**–**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**537**	**4,697**	**60,677**	**71,912**	**40,573**	**178,396**
Customer acceptances	**1,036,534**	**–**	**–**	**–**	**–**	**1,036,534**
Other liabilities	**1,457,799**	**–**	**–**	**–**	**1,915,504**	**3,373,303**
Total equity	**–**	**–**	**–**	**–**	**11,443,708**	**11,443,708**
TOTAL LIABILITIES AND EQUITY	**57,557,382**	**8,420,448**	**5,590,337**	**413,760**	**15,829,804**	**87,811,731**
OFF BALANCE SHEET						
Letters of credit and guarantees	**3,512,997**	**1,658,880**	**1,253,999**	**287,271**	**428,821**	**7,141,968**
31 December 2022						
ASSETS	29,817,570	10,660,951	11,979,142	6,983,705	15,322,350	74,763,718
LIABILITIES AND EQUITY	49,901,540	8,545,293	2,399,086	2,336,995	11,580,804	74,763,718
OFF BALANCE SHEET ITEMS	3,244,699	1,717,218	693,514	160,289	294,728	6,110,448

O. Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice was given immediately. However, the Group expects that many customers will not request repayment on the earliest date, the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	**5,792,375**	**(5,829,167)**	**(3,264,014)**	**(569,586)**	**–**	**–**	**(1,995,567)**
Customer deposits	**61,314,915**	**(61,818,660)**	**(51,956,362)**	**(8,032,758)**	**(960,791)**	**(416,325)**	**(452,424)**
Sukuk payable	**4,672,500**	**(4,950,178)**	**(30,909)**	**(93,408)**	**(4,825,861)**	**–**	**–**
	71,779,790	**(72,598,005)**	**(55,251,285)**	**(8,695,752)**	**(5,786,652)**	**(416,325)**	**(2,447,991)**
Letters of credit and guarantees	**7,141,968**	**(7,141,968)**	**(3,512,997)**	**(1,658,880)**	**(1,253,999)**	**(287,271)**	**(428,821)**
Irrevocable financing commitments	**2,795,524**	**(2,795,524)**	**(722,383)**	**(2,055,759)**	**–**	**–**	**(17,382)**

As at December 2022	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	1,880,081	(1,889,898)	(1,138,600)	(195,647)	–	–	(555,651)
Customer deposits	56,343,655	(56,672,291)	(46,794,034)	(8,474,891)	(581,397)	(462,626)	(359,343)
Sukuk payable	3,672,500	(3,914,098)	(17,945)	(54,831)	(1,972,682)	(1,868,640)	–
	61,896,236	(62,476,287)	(47,950,579)	(8,725,369)	(2,554,079)	(2,331,266)	(914,994)
Letters of credit and guarantees	6,110,448	(6,110,448)	(3,244,699)	(1,717,218)	(693,514)	(160,289)	(294,728)
Irrevocable financing commitments	1,489,294	(1,489,294)	(1,383,827)	(94,720)	–	–	(10,747)

P. Profit rate risk in the banking book

Profit Rate Risk in the Banking Book ('PRRBB') is defined as the exposure of the non-trading products of the Group to profit rates. Non-trading portfolios include all banking book positions that arise from the profit rate on the Group's retail and commercial banking assets and liabilities, and financial investments designated as available for sale and amortised cost / held to maturity. PRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of profit rate changes.

In order to manage this risk optimally, PRRBB in non-trading portfolios is transferred to Group Treasury under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) Systems. Group ALCO is required to regularly monitor all such profit rate risk positions to ensure they comply with profit rate risk limits.

For measuring overall profit sensitivity in the banking book, the Group conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points, and assessing the corresponding impact on its net income from financing and investment products.

	As at 31 December 2023		As at 31 December 2022	
	Amount AED 000	**Variance AED 000**	Amount AED 000	Variance AED 000
Rates Up 200 bp	**3,669,155**	**422,878**	3,177,133	339,142
Base Case	**3,246,278**	**–**	2,837,991	–
Rates Down 200 bp	**2,571,000**	**(675,278)**	2,126,779	(711,212)

The profit rate sensitivities set out in the table above are based on a set scenario i.e. the projections above assume that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net income from financing and investment products of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by Group Treasury or in the business units to mitigate the impact of this profit rate risk. In practice, Group Treasury seeks proactively to change the profit rate risk profile to minimize losses and optimise net revenues.

35 Risk management continued

Q. Profit rate repricing analysis*

31 December 2023	Less than 1 month Actual	Over 1 month to 3 months Actual	Over 3 months to 6 months Actual	Over 6 months to 1 year Actual	Over 1 year Actual	Non-profit bearing Actual	Total AED 000
ASSETS							
Cash and deposits with the Central Bank of the UAE	**306,274**	**7,228,987**	**–**	**–**	**–**	**7,445,880**	**14,981,141**
Due from banks	**3,082,271**	**1,119,612**	**1,057,197**	**481,317**	**–**	**390,757**	**6,131,154**
Investment securities	**219,688**	**267,826**	**408,738**	**116,415**	**9,352,823**	**64,172**	**10,429,662**
Financing receivables	**15,961,322**	**21,062,393**	**4,236,310**	**3,863,223**	**8,624,489**	**–**	**53,747,737**
Positive fair value of Islamic derivatives	**–**	**–**	**–**	**–**	**–**	**184,173**	**184,173**
Investment properties	**–**	**–**	**–**	**–**	**–**	**184,806**	**184,806**
Customer acceptances	**–**	**–**	**–**	**–**	**–**	**1,036,534**	**1,036,534**
Property and equipment	**–**	**–**	**–**	**–**	**–**	**270,848**	**270,848**
Other assets	**–**	**–**	**–**	**–**	**–**	**845,676**	**845,676**
TOTAL ASSETS	**19,569,555**	**29,678,818**	**5,702,245**	**4,460,955**	**17,977,312**	**10,422,846**	**87,811,731**
LIABILITIES AND EQUITY							
Due to banks	**1,200,574**	**1,505,141**	**–**	**551,476**	**–**	**2,535,184**	**5,792,375**
Customer deposits	**18,990,944**	**2,715,648**	**4,220,641**	**3,643,634**	**1,633,460**	**30,110,588**	**61,314,915**
Sukuk payable	**–**	**–**	**–**	**–**	**4,672,500**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**–**	**–**	**–**	**–**	**–**	**178,396**	**178,396**
Customer acceptances	**–**	**–**	**–**	**–**	**–**	**1,036,534**	**1,036,534**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**3,373,303**	**3,373,303**
Total equity	**–**	**–**	**–**	**–**	**–**	**11,443,708**	**11,443,708**
TOTAL LIABILITIES AND EQUITY	**20,191,518**	**4,220,789**	**4,220,641**	**4,195,110**	**6,305,960**	**48,677,713**	**87,811,731**
ON BALANCE SHEET GAP	**(621,963)**	**25,458,029**	**1,481,604**	**265,845**	**11,671,352**	**(38,254,867)**	**–**
PROFIT RATE SENSITIVITY GAP – 2023	**(621,963)**	**25,458,029**	**1,481,604**	**265,845**	**11,671,352**	**(38,254,867)**	**–**
CUMULATIVE PROFIT RATE SENSITIVITY GAP – 2023	**(621,963)**	**24,836,066**	**26,317,670**	**26,583,515**	**38,254,867**	**–**	**–**
CUMULATIVE PROFIT RATE SENSITIVITY GAP – 2022	12,116	19,362,507	20,787,258	22,737,660	31,284,791	–	–

*Represents when the profit rate will be repriced for each class of assets and liabilities.

R. Reputational risk

Reputational risk is the risk of potential loss of earnings and future revenue, loss in market value or lack of liquidity supply due to deterioration of reputation. It also includes the threat to the brand value of a financial institution. It also arises due to non-compliance with Internal Shariah Supervision Committee's resolution and Fatwas while taking administrative decisions, products or executing financial products contracts.

Reputational risk can arise as a consequence of failures with a strong negative perception amongst clients, shareholders, creditors or the public. The Group has measures to ensure a positive perception of the Group and that overall risk management ensures appropriate management of reputational risk.

S. ICAAP and Stress-Testing

Stress testing is an integral part of the Group's risk management process. It includes scenario analysis and is conducted regularly. In particular, the ICAAP (a group-wide exercise spanning risk types) is performed annually. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio and branch/subsidiary level. Every stress test is documented and the results are discussed at the EXCO level and approved by the GRC and the BRC.

Stress testing alerts senior management to the Group's potential vulnerability to exceptional but plausible adverse events. As such, stress testing enable us to assess capital adequacy and identify potential risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

T. Regulatory/compliance risk

Regulatory/Compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions.

The Group has an independent Compliance function, with the necessary mandate and authority to enforce and monitor compliance on a Group wide basis. This includes compliance with the applicable laws and regulations across the various jurisdictions where the Group operates as well as those of the USD / EU clearing centres.

Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Group wide and are supplemented where necessary to address any unique local requirements. These policies are supported by automated screening and monitoring systems and associated investigation teams to help comply with the Sanctions, AML, CTF, FATCA and CRS requirements. Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

i) Shariah non-compliance risk

Non-compliance with Internal Shariah Supervision Committee's Resolutions and Fatwas while taking administrative decision, products or executing financial products' contracts, may cause a reputational risk for the Group.

The Group has permanent Internal Shariah Control Department to evaluate all existing and proposed solutions prior to presenting it to Internal Shariah Supervision Committee for approval and to conduct a periodic audit to ensure compliance with Shariah principles and rules.

U. Internal Audit's role in overall risk management

The Group Internal Audit is an independent appraisal function established by the Board of Directors to examine and evaluate the activities of the Group including all aspects of the Group Risk Management. The department is organisationally independent of all other functions in the bank. The unit is headed by the Chief Audit Officer, who is accountable to the Board of Directors through the Board Audit Committee.

The primary objectives of Group Internal Audit is to provide assurance on risks to which the Group' business are exposed, evaluate the adequacy and effectiveness of financial/operating controls and the Corporate Governance environment, assess the extent to which assets are accounted for and safeguarded from losses and conduct follow-up activities to assess and report on the degree to which management has addressed risks and compliance with action plans previously agreed.

The unit's mission is achieved through a risk based annual audit plan approved by the Board Audit Committee. A formal report is prepared at the end of each quarter which includes a summary of audit activity completed during the period and an update on the status of previously reported matters for Board Audit Committee attention.

The Board Audit Committee reviews and approves Group Internal Audit's plans and resources, and evaluates the effectiveness of the Internal Audit function. External advisers also periodically conduct an assessment of the function.

V. Environmental, social and governance (ESG) risk

The rapidly changing global landscape, marked by challenges such as climate change, the evolving expectations of our stakeholders, as well as a continuous evolution of international standards, particularly in the areas of sustainability accounting, audit and ethics necessitates a proactive approach to ESG. The Group continues to develop its approach to ESG in line with progressing standards, both regionally and globally.

Climate related risk

Climate risks relate to the financial and non-financial impacts that may arise as a result of climate change. There are two categories of climate risks: physical risks, which can arise from changes in weather and climate and transition risks which can arise from the shift to a low-carbon economy.

The Group considers climate risk as part of the broader environmental and social risks. Our strategy on climate risk is being incorporated into the Group Risk Management Framework and is guided by the three-lines of defence approach.

The Group's Board of Directors bears the final responsibility for all aspects concerning climate related risks. The Board actively participates in shaping our ESG strategy and is regularly briefed on the progress of this strategy by the Executive Committee.

Impact of climate risk on accounting judgments and estimates

At this time, the Group believes that the effects climate related risks which could arise in the short and medium term will have limited effect on accounting judgements and estimates.

35 Risk management continued

W. Risk management framework and processes at Group entities

In establishing risk management policies & processes at the Group entities level, due consideration is given to the entities' specific regulatory environment.

36 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group is party to legal proceedings and regulatory matters arising out of its normal business operations. The Group has proper controls and policies for managing legal claims. The recognition of provisions is determined in accordance with the accounting policies set out in Note 6. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2023. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2023 other than to the extent already provided.

37 Social contributions

The social contributions (including donations and charity) made during the year amount to AED 50.5 million (2022: AED 108.1 million).

38 Comparative amounts

Certain prior year comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

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EMIRATES ISLAMIC

20 Years of Collective Progress

Financial Statements 2024

Financial Statements

Deloitte.

Independent Auditors' Report

The Shareholders
Emirates Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Emirates Islamic Bank P.J.S.C.** (the "Bank") **and its subsidiaries** (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2024, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers	
The assessment of the Group's determination of impairment allowances for financing receivables to customers requires management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the quantitative significance of the financing receivables to customers (representing 63% of total assets) and the complexity of the judgements, assumptions and estimates used in the ECL models. Refer to Note 6 to the consolidated financial statements for the accounting policy and note 36 for the credit risk disclosure.	We performed the following audit procedures on the computation and reasonableness / appropriateness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2024: We gained an understanding of the financing receivables origination process, credit risk management process and the estimation process of determining impairment allowances for financing receivables to customers and tested the operating effectiveness of relevant controls within these processes.

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Independent Auditors' Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	
The material portion of the non-retail portfolio of financing receivables is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the Group's policies and the requirements of IFRSs. The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that models and its parameters (Probability of Default "PD", Loss given Default "LGD", Exposure at Default "EAD" and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process by an independent reviewer. The Group performed an independent validation / monitoring of the PD and LGD models including macro-economic model during the reporting period, as well as an external validation for some of the newly implemented models.	On a sample basis, we selected individual financing receivables and performed a detailed credit review and challenged the Group's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions underlying the impairment allowance calculation, such as credit risk mitigation through estimated future discounted cash flows including collateral valuations and estimates of recovery. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for financing receivables impairment allowances. We evaluated key assumptions such as criteria used to determine SICR and forward-looking macroeconomic scenarios including the related weighting. On a sample basis, we assessed the group application of the staging criteria, including the basis for movement between stages. For financing receivables tested collectively, we evaluated controls over the modelling process, including model inputs, monitoring, validation, and approval. We challenged key assumptions, reviewed the calculation methodology and traced a sample back to source data. We tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances. We evaluated post-model adjustments and management overlays in order to assess the reasonableness of these adjustments. We further assessed the reasonableness of forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses. We considered the process of the independent validation of models and involved our subject matter specialists to review the validation and its impact on the results of the impairment estimate.

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Independent Auditors' Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	
	We updated our assessment of the methodology and framework designed and implemented by the Group as to whether the impairment models' outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Group to determine future economic conditions at the reporting date. We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Group and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to address the potential risk for fraud and error as a result of change to applications or underlying data.	We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to the identified automated controls and Information Produced by the Entity ("IPEs") covering access security, program changes, data center and network operations. We examined certain IPEs used in the financial reporting from relevant applications and key controls over their report logics as well as preparation and maintenance. We performed testing on the key automated controls on significant IT systems relevant to business processes. We tested the interfaces among identified systems in order to determine whether information is being transmitted in an accurate and complete manner.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the annual report of the Group, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with applicable provisions of UAE Federal Decree law no 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditors' Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Group's Audit Committee, 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 and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. (continued)

Report on Other Legal and Regulatory Requirements
As required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2024:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Bank;
- Note 10 to the consolidated financial statements discloses the Bank's purchases or investments in shares during the year ended 31 December 2024;
- Note 31 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2024 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and
- Note 38 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2024.

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

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
28 January 2025
Dubai

Group Consolidated Statement of Financial Position
As at 31 December 2024

	Notes	2024 AED 000	2023 AED 000
Assets			
Cash and deposits with the Central Bank of the UAE	8	**14,674,527**	14,981,141
Due from banks	9	**10,028,460**	6,131,154
Investment securities	10	**13,463,573**	10,429,662
Financing receivables	11	**70,479,855**	53,747,737
Positive fair value of Islamic derivatives	28	**156,947**	184,173
Customer acceptances	30	**747,795**	1,036,534
Investment properties		**170,795**	184,806
Property and equipment		**320,207**	270,848
Other assets	12	**1,086,514**	845,676
Total assets		**111,128,673**	**87,811,731**
Liabilities			
Due to banks	13	**5,883,525**	5,792,375
Customer deposits	14	**76,784,930**	61,314,915
Sukuk payable and other medium term financing	15	**9,263,125**	4,672,500
Negative fair value of Islamic derivatives	28	**150,020**	178,396
Customer acceptances	30	**747,795**	1,036,534
Other liabilities	16	**3,998,967**	3,373,303
Total liabilities		**96,828,362**	**76,368,023**
Equity			
Issued capital	17	**5,430,422**	5,430,422
Legal and statutory reserve	18	**1,308,187**	1,027,161
Other reserves	18	**543,043**	543,043
Fair value reserve	18	**(186,918)**	(269,979)
Retained earnings		**7,205,577**	4,713,061
Total equity		**14,300,311**	**11,443,708**
Total liabilities and equity		**111,128,673**	**87,811,731**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2-6.

Mr. Hesham Abdulla Al Qassim
Chairman

Mr. Shayne Nelson
Director

Mr. Farid AlMulla
Chief Executive Officer

Group Consolidated Statement of Income
For the year ended 31 December 2024

	Notes	2024 AED 000	2023 AED 000
Income from financing receivables and investment products	19	**5,779,226**	4,664,893
Distribution on deposits and profit paid to Sukuk holders	20	**(1,549,453)**	(950,916)
Net income from financing receivables and investment products		**4,229,773**	**3,713,977**
Fee and commission income	21	**1,126,948**	937,078
Fee and commission expense		**(605,924)**	(454,937)
Net fee and commission income		**521,024**	**482,141**
Other operating income	22	**613,263**	569,453
Total operating income		**5,364,060**	**4,765,571**
General and administrative expenses	23	**(1,644,684)**	(1,771,366)
Operating profit before impairment		**3,719,376**	**2,994,205**
Net impairment loss on financial assets	24	**(671,828)**	(994,638)
Net impairment reversal on non-financial assets		**40,362**	121,648
Net impairment loss		**(631,466)**	**(872,990)**
Profit for the year before taxation		**3,087,910**	**2,121,215**
Taxation charge	25	**(277,650)**	–
Profit for the year		**2,810,260**	**2,121,215**
Earnings per share (AED)	27	**0.518**	**0.391**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2-6.

Group Consolidated Statement of Comprehensive Income
For the year ended 31 December 2024

	2024 AED 000	2023 AED 000
Profit for the year	**2,810,260**	2,121,215
Other comprehensive income		
Items that will not be reclassified subsequently to the income statement:		
Actuarial gains / (losses) on retirement benefit obligations	**(14,424)**	(15,714)
Items that may be reclassified subsequently to the income statement:		
Cash flow hedges:		
- Effective portion of changes in fair value	**9,491**	4,986
Fair value reserve (Sukuk instruments):		
- Net change in fair value	**81,883**	100,548
- Net amount transferred to income statement	**(98)**	(37)
Related deferred tax	**(8,215)**	–
Other comprehensive income / (loss) for the year	**68,637**	89,783
Total comprehensive income for the year	**2,878,897**	**2,210,998**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 2-6.

Group Consolidated Statement of Cash Flows
For the year ended 31 December 2024

	2024 AED 000	2023 AED 000
Operating Activities		
Profit for the year before taxation	**3,087,910**	2,121,215
Adjustment for non cash items and other items (refer Note 34)	**1,041,122**	1,233,827
Operating profit before changes in operating assets and liabilities	**4,129,032**	**3,355,042**
(Increase) / decrease in balances with the Central Bank maturing after three months	**81,799**	(7,439,773)
(Increase) / decrease in amounts due from banks maturing after three months	**(3,440,345)**	(3,045,773)
Increase / (decrease) in amounts due to banks maturing after three months	**877,537**	(146,455)
(Increase) / decrease in positive fair value of Islamic derivatives	**36,717**	4,931
Increase / (decrease) in negative fair value of Islamic derivatives	**(28,376)**	(13,104)
(Increase) / decrease in other assets	**(244,866)**	(88,074)
Increase / (decrease) in other liabilities	**158,265**	698,126
Increase / (decrease) in customer deposits	**15,470,015**	4,971,260
(Increase) / decrease in financing receivables	**(17,551,391)**	(6,451,460)
Net cash flows generated from / (used in) operating activities	**(511,613)**	**(8,155,280)**
Investing activities		
(Increase) / decrease in investment securities	**(2,959,594)**	(3,018,038)
(Increase) / decrease in investment properties	**45,253**	215,665
Dividend income received	**3,168**	29
(Increase) / decrease in property and equipment	**(141,108)**	(110,215)
Net cash flows generated from / (used in) investing activities	**(3,052,281)**	**(2,912,559)**
Financing activities		
Issuance of sukuk and other medium term financing	**4,590,625**	1,000,000
Net cash flows generated from / (used in) financing activities	**4,590,625**	**1,000,000**
Increase / (decrease) in cash and cash equivalents (refer Note 34)	**1,026,731**	**(10,067,839)**

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The independent auditor's report is set out on pages 2-6.

Group Consolidated Statement of Changes in Equity
For the year ended 31 December 2024

	Issued capital AED 000	Legal and statutory reserve AED 000	Other reserves AED 000	Fair value reserve AED 000	Retained earnings AED 000	Total AED 000
Balance as at 1 January 2024	**5,430,422**	**1,027,161**	**543,043**	**(269,979)**	**4,713,061**	**11,443,708**
Profit for the year	**–**	**–**	**–**	**–**	**2,810,260**	**2,810,260**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**83,061**	**(14,424)**	**68,637**
Transfer to reserves	**–**	**281,026**	**–**	**–**	**(281,026)**	**–**
Directors' fees (refer note 26)	**–**	**–**	**–**	**–**	**(7,000)**	**(7,000)**
Zakat	**–**	**–**	**–**	**–**	**(15,294)**	**(15,294)**
Balance as at 31 December 2024	**5,430,422**	**1,308,187**	**543,043**	**(186,918)**	**7,205,577**	**14,300,311**
Balance as at 1 January 2023	5,430,422	815,039	543,043	(375,476)	2,847,314	9,260,342
Profit for the year	–	–	–	–	2,121,215	2,121,215
Other comprehensive income/(loss) for the year	–	–	–	105,497	(15,714)	89,783
Transfer to reserves	–	212,122	–	–	(212,122)	–
Directors' fees (refer note 26)	–	–	–	–	(7,000)	(7,000)
Zakat	–	–	–	–	(20,632)	(20,632)
Balance as at 31 December 2023	5,430,422	1,027,161	543,043	(269,979)	4,713,061	11,443,708

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report on the Group consolidated financial statements is set out on pages 2-6.

Notes to the Group Consolidated Financial Statements
For the year ended 31 December 2024

1 Corporate Information
Emirates Islamic Bank P.J.S.C (the "Bank") was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3 October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of United Arab Emirates.

At an extraordinary general meeting held on 10 March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with the Shariah rules and principles. The entire process was completed on 9 October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD Bank P.J.S.C, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), which is wholly owned by the Government of Dubai.

The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is http://www.emiratesislamic.ae. In addition to its head office in Dubai, the Bank operates through 40 branches in the UAE. The group consolidated financial statements comprise financial statements of the Bank and its following subsidiaries and other entities controlled by the Bank (together referred to as "the Group").

Subsidiaries	Date of incorporation & country	Principal activity	Ownership % 31 December 2024	Ownership % 31 December 2023
Emirates Islamic Financial Brokerage Co. LLC*	26 April 2006, UAE	Financial brokerage services	100%	100%
EI Funding Limited	15 May 2014, Cayman Islands	Special Purpose Entity	100%	100%
Other entities consolidated by the Group on the bases of control assessment:				
EIB Sukuk Company Limited	16 April 2007, Cayman Islands	Special Purpose Entity		

The Bank provides banking services and offers a variety of products through financing and investing instruments in accordance with Shariah rules and principles.

The Bank's registered office address is P.O. Box 6564, Dubai, United Arab Emirates.

*This subsidiary is in the process of being dissolved.

2 Basis of accounting
Statement of compliance:
The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and applicable requirements of the laws of the UAE.

Federal Law No. 32 of 2021 on Commercial Companies has come into effect from 2 January 2022, replacing the existing Federal Law No. 2 of 2015.

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

3 Functional and presentation currency
The Group consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's functional currency. Except where indicated, financial information presented in AED has been rounded to the nearest thousand.

4 Basis of measurement
The Group consolidated financial statements have been prepared under the historical cost basis except for the following:
- Shariah compliant derivatives are measured at fair value;
- financial instruments classified at fair value through profit or loss (FVTPL) are measured at fair value; and,
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in Note 5.

5 Use of judgements and estimates
The preparation of the Group consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing receivables as well as allowances for impairment provision for unquoted investment securities. 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.

Significant items where the use of estimates and judgments are required are outlined below:

(i) Financial instruments
Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the consolidated financial statements of the year ended 31 December 2024 pertain to:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding
- Calculation of expected credit loss (ECL): Assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 2024. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Inputs, assumptions and techniques used for ECL calculation
Key concepts that have the most significant impact and require a high level of judgment, as considered by the Group while determining the ECL, are:

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

The Group's assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2 including but not limited to:

1. The Group has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment is based on individual assessment of financial assets for objective evidence of impairment.

The Group reviews its financing receivables portfolio to assess unlikeliness to pay and impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a financing receivable or homogenous group of financing receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios
The measurement of ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

The estimation and application of forward-looking information requires significant judgment based on the macroeconomic variables (or changes in macroeconomic variables) such as occupancy rates, oil prices, housing price index and GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio and represent the underlying causal effects of changes in these economic conditions. Each macroeconomic scenario used in the Group's ECL calculation will have projected forecasts of the relevant macroeconomic variables.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

5 Use of judgements and estimates (continued)
(i) Financial instruments (continued)
Inputs, assumptions and techniques used for ECL calculation (continued)
Macroeconomic Factors, Forward Looking Information and Multiple Scenarios (continued)

The Group estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. These scenarios are based on macroeconomic forecasts published by the external experts. If conditions warrant, additional downside scenarios may also be considered.

Probability weights attached to these scenarios are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabili ties. In some instances, the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Group's governance process for oversight.

Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group.

The table below summarises key macroeconomic indicators included in the economic scenarios during Q4 2024 and for the years ending 2025 to 2028.

	Base Scenario					Upside Scenario					Downside Scenario				
	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
UAE															
Oil Price – USD	81	78	76	75	75	81	84	80	76	76	81	60	60	71	73
GDP - Change %	3.7	4.0	3.6	3.8	3.9	3.7	5.8	5.1	3.8	3.9	3.7	0.2	-0.9	4.8	5.6
Imports - AED in Bn	1,919	2,039	2,160	2,268	2,379	1,919	2,058	2,216	2,362	2,500	1,919	1,865	1,882	1,995	2,098

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

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

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

Governance
In addition to the existing risk management framework, the Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management, Internal audit and Business teams and are responsible for reviewing and approving key inputs and assumptions used in the Group ECL estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group financial statements.

(ii) Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from quoted prices, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where this is not possible, a degree of judgment is required in establishing fair values. The judgments include consideration of liquidity and model inputs such as correlation and volatility for longer dated Shariah compliant derivatives.

Fair values are subject to a control framework designed to ensure that they are either determined or validated, by a function independent of the risk taker.

(iii) Contingent liability arising from litigations
Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

6 Material accounting policies
The Group has consistently applied the following accounting policies to all periods presented in these Group consolidated financial statements.

(a) Principles of consolidation
(i) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group 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 Group re-assesses 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. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Basis of consolidation
The Group consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the Group consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated.

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date, fair value of assets transferred by group, liability incurred, and equity interest issued by the group in exchange for control of the acquiree. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred, and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in profit or loss. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interest in the acquiree are restated to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(ii) Special Purpose Entities
Special Purpose Entities (SPEs) are entities that are created to accomplish a well-defined objective such as the securitisation of particular assets, or the execution of a specific funding transaction. An SPE is consolidated if the Group is exposed to variable returns from its involvement in the SPE and has the ability to affect those returns through its power over the SPE based on an evaluation of the substance of its relationship with the Group.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

6 Material accounting policies (continued)
(a) Principles of consolidation (continued)
(ii) Special Purpose Entities (continued)
The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:
a. the Group has power over the SPE;
b. the Group has exposure to, or rights, to variable returns from its involvement with the SPE; and
c. the Group has the ability to use its power over the SPE to affect the amount of the Group's returns.

The assessment of whether the Group has control over an SPE is carried out at inception and reassessed at each period end date or if there are changes in the structure / terms of additional transactions between the group and the SPE.

Information about the Group's securitisation activities is included in Note 15.

(b) Foreign Currencies
Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. The resulting gain / loss on monetary items is taken to the 'Other operating income' in the consolidated statement of income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Financing Profit
Effective profit rate
Profit income and expense are recognised in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including ECL.

Amortised cost
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal payments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount using the effective profit method and, for financial assets, adjusted for any loss allowance.

Gross carrying amount
The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting any loss allowance.

Presentation
Finance profit and expense presented in the consolidated statement of income include:
- Profit on financial assets and financial liabilities measured at amortised cost calculated on an effective profit basis.
- Profit on Sukuk measured at FVOCI calculated on an effective profit basis.

(d) Income from financing receivables
Revenue is recognised on the respective Islamic products as follows:

Murabaha
The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the balance outstanding.

Istisna'a
Istisna'a revenue and the associated profit margin (difference between the cash price to the customer and the bank's total Istisna'a cost) are accounted using effective profit method.

Ijara
Income from Ijara is recognised on an accrual basis over the period of the contract using effective profit method.

Mudaraba
Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakala
Estimated income from Wakala is recognised on an accrual basis over the period using effective profit method, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

(e) Fees and commission
Fee income, which is not an integral part of the effective profit rate of a financial instrument, is earned from a diverse range of services provided by the Group to its customers and are accounted for in accordance with IFRS 15 *'Revenue from Contracts with Customers'*. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Fee income is accounted for as follows:
(i) income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);
(ii) income earned from the provision of services is recognised as revenue as the services are provided (for example, portfolio and other management advisory and service fees); and
(iii) Other fees and commission income and expense are recognised as the related services are performed or received.

Fee income which forms an integral part of the effective profit rate of a financial instrument is recognised as an adjustment to the effective profit rate and recorded in income from financing and investing products.

(f) Earnings prohibited by Shariah
Earnings prohibited by the Shariah are a result of errors in execution of transactions as determined by the Internal Shariah Supervision Committee (ISSC), or obligated amount to Charity (late payment donation amounts) from customers who delayed the payment of their dues, according to the resolution of the ISSC of the Group, these funds are used specifically for Charity purposes and social contributions according to internal policies of the Group and ISSC guidance.

(g) Dividend income
Dividend income is recognised when the Group's right to receive the dividend is established.

(h) Property related income
Property related income includes rental income, which is recognised on a straight-line basis over the term of the lease.

(i) Leases
Under IFRS 16, the Group recognises a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits.

The Group has presented right of use assets within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

Where the Group leases out its investment property, the Group has classified these as operating leases.

(j) Financial assets and financial liabilities
(i) Classification of financial assets and financial liabilities
On initial recognition, a financial asset is classified as measured: at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

6 Material accounting policies (continued)
(j) Financial assets and financial liabilities (continued)
(i) Classification of financial assets and financial liabilities (continued)
On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ii) Recognition and initial measurement
The Group initially recognises financing receivables, deposits, sukuks payable and other medium term financing on the date on which they are originated or acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

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 as 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 funding those assets or realizing 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 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 the 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.

Assessment whether contractual cash flows are solely payments of principal and profit:
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 margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, 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;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of profit rate.

See note on investment securities, financing receivables and cash and cash equivalents for further details.

The Group classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortised cost or FVTPL.

Reclassifications:
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(iii) Impairment
The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
- financial assets that are financing instruments;
- financial guarantee contracts issued; and
- financing commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL
ECL are probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets
If the terms of a financial asset are modified or an existing financial asset is replaced with a new one due to financial difficulties of the obligor, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the obligor or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the obligor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Purchased or originated credit impaired assets (POCI)
POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and profit is subsequently recognised based on a credit-adjusted EIR. Lifetime ECLs are only recognised or released to the extent that there is a subsequent change in the credit risk.

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

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

6 Material accounting policies (continued)
(j) Financial assets and financial liabilities (continued)
(iii) Impairment (continued)
Revolving facilities (continued)

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

Write-off

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

(iv) Financial guarantees and financing commitments
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified obligor fails to make payment when due, in accordance with the terms of a financing instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

'Financing commitments' are firm irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or irrevocable commitments to provide credit are initially measured at fair value and their initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

(v) Financing receivables
Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 'Financing receivables' captions in the consolidated statement of financial position include:

- Financing receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective profit method and are presented net of expected credit losses; and
- Financing receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss, if applicable.

The following terms are used in financing receivables:

Murabaha

An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

Istisna'a

An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Ijara

An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent instalments. Ijara could end by transferring the ownership of asset to the lessee through a separate agreement or in accordance with sale undertaking provisions.

Musharaka

An agreement between the Group and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.

Mudaraba

An agreement between two parties; wherein one of them provides the funds and is called Rab-Ul-Mal and the other provides efforts and expertise and is called the Mudarib and is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. In case of normal loss; the Rab-Ul-Mal would bear the loss of his funds while the Mudarib would bear the loss of his efforts. However, in case of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses.

The Group may act as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

Wakala

An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

These products are carried at amortised cost less impairment.

(vii) Investment securities
Investment securities' caption in the consolidated statement of financial position includes:
- Financing investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit method;
- Financing and equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Financing securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

For financing securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.
- Profit income using the effective profit method
- ECL charges and reversals, and
- Foreign exchange gains and losses.

When a financing security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses on equity instruments recognised in OCI are transferred to retained earnings on disposal of an investment.

(viii) Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards or 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 (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities financing and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

6 Material accounting policies (continued)
(j) Financial assets and financial liabilities (continued)
(ix) Modification of financial assets and financial liabilities
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the obligor, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(x) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the Group consolidated statement of financial position when, and only when, the Group currently has legally enforceable rights to set off amounts and it intends either to settle them on a net basis or through realize 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 activities.

(xi) Fair value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) In the principal market for the asset or liability; or
(ii) In the absence of principal market, in the most advantageous market for the asset and liabilities.

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.

Fair value is applicable to both financial and non-financial instruments.

(xii) Designated at FVTPL
At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:
(a) The liabilities are managed, evaluated and reported internally on a fair value basis; or
(b) The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

A description of the basis of each designation is set out in relevant notes for the asset or liability class.

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

(k) Cash and cash equivalents
'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with Central Banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

(l) Islamic derivatives held for risk management purposes and hedge accounting
The Group follows a hedge accounting model that aligns hedge accounting more closely with risk management. The model measures hedge effectiveness through an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

The Group also performs rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of Islamic derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in 'income from trading activities' except for gains and losses on those Islamic derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in 'other operating income'.

The Group utilises Shariah compliant hedging instruments to satisfy the requirements of its customers, for proprietary trading purposes and to hedge its own exposure to profit rates and currency risk.

Where there is a hedging relationship between an Islamic derivative instrument and a related item being hedged, the hedging instrument is measured at fair value, with any resultant gains and losses being accounted as set out below.

The fair value of Islamic derivative hedging instruments is calculated in the same way as the fair value of financial instruments.

The method of recognising the resulting fair value gain or loss depends on whether the Islamic derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain Islamic derivatives as either:
- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
- Hedge of net investment in a foreign operation.

Hedge accounting is used for Islamic derivatives designated in this way provided certain criteria are met.

(i) Fair value hedge
When an Islamic derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the Islamic derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging Islamic derivative expires or is terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective profit method is used, is amortised to profit or loss as part of the recalculated effective profit rate of the item over its remaining life.

(ii) Cash flow hedge
When an Islamic derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of Islamic derivative is recognised in other comprehensive income within 'Cash flow hedges – fair value gains / (losses)'. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Group consolidated statement of income.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the Group consolidated statement of income in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

6 Material accounting policies (continued)

(l) Islamic derivatives held for risk management purposes and hedge accounting (continued)

(ii) Cash flow hedge (continued)

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting or the hedge designation is revoked, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the Group consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to the Group consolidated statement of income.

(iii) Net investment hedges

When an Islamic derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve. Any ineffective portion of the changes in the fair value of the Islamic derivative is recognised immediately in Group consolidated statement of income. The amount recognised in other comprehensive income is reclassified to the Group consolidated statement of income as an adjustment on disposal of the foreign operation.

(iv) Islamic derivatives that do not qualify for hedge accounting

Certain Islamic derivative financial instruments do not qualify for hedge accounting. Such Islamic derivative financial instruments include foreign exchange contracts, profit rate swaps and Shariah compliant foreign exchange options. Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positives and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative's components using recognized pricing or valuation models as appropriate.

(v) Embedded Islamic derivatives

Islamic derivatives embedded in financial assets, liabilities and non-financial host contacts, are treated as separate Islamic derivatives and recorded at fair value if they meet the definition of an Islamic derivative, their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVTPL. The embedded Islamic derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Group consolidated statement of income.

(m) Property, equipment and depreciation

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

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

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Freehold premises	25 – 60 years
Freehold improvements	10 years
Leasehold improvements	7 years
Furniture, fixtures and office equipment	5 years
Computer hardware and software	4 – 5 years
Core banking software	5 – 7 years
Motor vehicles	3 – 5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Group consolidated statement of income.

(n) Investment properties

The Group holds certain properties as investments to earn rental income, for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and accumulated impairment (if any).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in 'other operating income' in the year of retirement or disposal.

Transfers to and from investment properties are made only when there is a change in use based on the business model.

(o) Intangible assets

(i) Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets 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.

Amortisation is recognised in the Group consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

(ii) Other intangible assets

Intangibles acquired separately are measured on initial recognition at cost. The cost of the intangibles acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible asset are assessed to be either finite or indefinite. Intangibles with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and amortisation method for intangibles with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in an accounting estimate. The amortisation expense on intangibles with finite lives is recognised in the Group consolidated income statement in the expense category consistent with the function of the intangibles.

(p) Impairment of non financial assets

The carrying amounts of the Group's non-financial assets are reviewed periodically to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group or units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(q) Deposits, financing receivables and sukuks issued

Deposits, financing receivables and sukuks issued are the main sources of funding for the Group.

Deposits, financing receivables and sukuks issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit method.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

6 Material accounting policies (continued)
(s) Employee benefits
(i) Pension obligations
The Group operates a pension scheme in respect of eligible UAE national employees in compliance with the UAE Federal Law on Pensions and Social Security. Arrangements for benefits for overseas employees is made in accordance with local regulations and customs. Full provision is made for all accrued benefits.

The Group also pays contributions to trustee administered funds on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

(ii) Termination gratuity benefit scheme
In compliance with UAE labour law, the Group has a termination gratuity benefit scheme covering all of its expatriate salaried employees who have been employed with the Group for more than one year. The provision for gratuity is recorded through the consolidated statement of income.

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuities include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The value of the gratuity obligations is based on the report submitted by an independent actuarial firm.

(t) Dividend on shares
Dividends on shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in the Annual General Meeting.

(u) Share capital and reserves
Share issue costs
Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(v) Earnings per share
The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of potential ordinary shares, if any.

(w) Operating segments
For management purposes, the Group is organised into operating segments based on their products, services and certain subsidiaries which are independently managed by the respective segment managers responsible for the performance of the segments under their charge.

The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28.

(x) Related parties
A party is considered to be related to the Group if:
(a) the party, directly or indirectly through one or more intermediaries,
  (i) controls, is controlled by, or is under common control with, the Group;
  (ii) has any interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;
(b) the party is an associate;
(c) the party is a jointly-controlled entity;
(d) the party is a member of the key management personnel of the Group;
(e) the party is a close member of the family of any individual referred to in (a) or (d); or
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(y) Profit distribution
Profit distribution between the unrestricted account holders (investment, saving and Wakala accounts) and the Shareholders, is according to the instructions of the Bank's Internal Shariah Supervision Committee.

Net income realised from Mudaraba Pool, at the end of each quarter, represents the net profit available for distribution. Net profit available for distribution between unrestricted account holders and shareholders is calculated after deducting the Mudarib share as per the agreed and declared percentage.

Profit Distribution is on a pro rata-basis of the weighted average balances of unrestricted customers' accounts and Shareholders' funds. No priority is given to either party in the Mudaraba Pool.

(z) Zakat
The Bank discharges Zakat (Alms) as per its Articles of Association. The Bank calculates Zakat based on the guidance of its Internal Shariah Supervision Committee as follows:

- Zakat is calculated as per the Net Investment Asset method.
- Zakat is disbursed to Shariah channels through a committee formed by the management in line with ISSC guidance.

(aa) Profit equalisation reserve
Profit equalisation reserves are amounts appropriated out of the common mudaraba pool's income, before allocating the mudarib share, in order to maintain a certain level of return on investments for all the investment account holders and other investors in the common mudaraba pool.

(ab) Depositors' investment risk reserve
Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Internal Shariah Supervision Committee. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance. The purpose of the investment risk reserve is to allocate a specified percentage of the total depositors' profit on a periodic basis, with the aim of using these funds to compensate any future losses.

(ac) Revenue recognition
Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group also operates a rewards programme which allows customers to accumulate points when they purchase products on the Group's credit cards. The points can then be redeemed for shopping rewards, cash back or air miles, subject to a minimum number of points being obtained.

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

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

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

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

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7 Standards issued but not yet adopted

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2024, with the Group not opting for early adoption.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025
Amendments to IFRS 9 and IFRS 7 The amendments address matters identified during the post implementation review of the classification and measurement requirements of IFRS 9.	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	1 January 2027
IFRS 19 Subsidiaries without Public Accountability IFRS 19 specifies the permitted disclosure requirements for an eligible subsidiary to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027

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

8 Cash and deposits with the central bank of the UAE

	2024 AED 000	2023 AED 000
Cash	**1,170,581**	902,981
Statutory and other deposits with the Central Bank of the UAE	**8,257,405**	6,542,899
Murabaha with the Central Bank of the UAE	**5,246,541**	7,535,261
	14,674,527	14,981,141

The reserve requirements which are kept with the Central Bank of the UAE are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserves required changes periodically in accordance with the directives of the Central Bank of the UAE.

9 Due from banks

	Local (UAE) AED 000	**Foreign AED 000**	**Total AED 000**
31 December 2024			
Time	**3,564,496**	**6,072,741**	**9,637,237**
Overnight, call and short notice	**223,217**	**190,227**	**413,444**
Gross due from banks	**3,787,713**	**6,262,968**	**10,050,681**
Less: Expected credit losses			**(22,221)**
			10,028,460

	Local (UAE) AED 000	Foreign AED 000	Total AED 000
31 December 2023			
Time	1,651,631	4,102,790	5,754,421
Overnight, call and short notice	6,090	384,666	390,756
Gross due from banks	1,657,721	4,487,456	6,145,177
Less: Expected credit losses			(14,023)
			6,131,154

10 Investment securities

	Domestic* AED 000	**Regional** AED 000**	**International*** AED 000**	**Total AED 000**
31 December 2024				
Designated as at FVTPL				
Equity	**–**	**62,775**	**–**	**62,775**
	–	**62,775**	**–**	**62,775**
Measured at amortised cost				
Government Sukuk	**2,274,651**	**1,548,421**	**537,959**	**4,361,031**
Corporate Sukuk	**1,217,488**	**2,079,503**	**396,600**	**3,693,591**
	3,492,139	**3,627,924**	**934,559**	**8,054,622**
Less: Expected credit losses				**(5,214)**
				8,049,408
Measured at FVOCI				
Government Sukuk	**–**	**–**	**455,522**	**455,522**
Corporate Sukuk	**2,292,780**	**1,071,707**	**1,539,922**	**4,904,409**
	2,292,780	**1,071,707**	**1,995,444**	**5,359,931**
Less: Expected credit losses				**(8,541)**
				5,351,390
Gross investment securities	**5,784,919**	**4,762,406**	**2,930,003**	**13,477,328**
Net investment securities				**13,463,573**

As at 31 December 2024, the fair value of investment securities measured at amortized cost amounted to AED 7,976 million (31 December 2023: AED 4,526 million).

Investment securities with the carrying amount of AED 447 million (31 December 2023: AED 345 million) and fair value of AED 447 million (31 December 2023: AED 335 million) were collateralised for obligations under due to banks (refer note 13).

	Domestic* AED 000	Regional** AED 000	International*** AED 000	Total AED 000
31 December 2023				
Designated as at FVTPL				
Equity	–	64,172	–	64,172
	–	64,172	–	64,172
Measured at amortised cost				
Government Sukuk	1,145,290	1,242,179	262,834	2,650,303
Corporate Sukuk	794,031	404,133	669,308	1,867,472
	1,939,321	1,646,312	932,142	4,517,775
Less: Expected credit losses				(4,715)
				4,513,060
Measured at FVOCI				
Government Sukuk	–	80,579	460,316	540,895
Corporate Sukuk	2,563,407	1,050,027	1,716,716	5,330,150
	2,563,407	1,130,606	2,177,032	5,871,045
Less: Expected credit losses				(18,615)
				5,852,430
Gross investment securities	4,502,728	2,841,090	3,109,174	10,452,992
Net investment securities				10,429,662

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East.
***International: These are securities issued outside the Middle East.

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11 Financing receivables

	2024 AED 000	2023 AED 000
At Amortised Cost		
Murabaha	**51,169,818**	37,048,788
Credit cards receivable	**3,683,292**	2,876,335
Wakala murabaha	**1,381,161**	359,983
Istisna'a	**1,750,710**	1,689,745
Ijara	**20,214,989**	18,270,242
Others	**189,716**	14,548
	78,389,686	60,259,641
Less: Deferred income	**(3,213,965)**	(1,660,758)
Gross financing receivables	**75,175,721**	58,598,883
Less: Expected credit losses	**(4,695,866)**	(4,851,146)
Net financing receivables	**70,479,855**	53,747,737
Total of impaired gross financing receivables	**3,300,175**	3,682,118

	2024 AED 000	2023 AED 000
By Business Units		
Retail banking	**30,724,542**	22,265,033
Corporate banking	**44,451,179**	36,333,850
	75,175,721	58,598,883

Ijara assets amounting to AED 5.2 billion (2023: AED 2.9 billion) were securitised for the purpose of issuance of Sukuk liability (refer note 15).

Allowances of impairment on financing receivables have been disclosed in further detail in note 36 I.

12 Other assets

	2024 AED 000	2023 AED 000
Profit receivable	**196,329**	145,725
Prepayments and other advances	**228,453**	166,050
Deferred sales commission	**30,318**	23,269
Goods available-for-sale	**44,550**	41,574
Others	**586,864**	469,058
	1,086,514	845,676

13 Due to banks

	2024 AED 000	2023 AED 000
Demand and call deposits	**438,667**	543,161
Repurchase agreements with banks	**434,713**	327,121
Time and other deposits	**5,010,145**	4,922,093
	5,883,525	5,792,375

The profit paid on the above averaged 3.87% p.a. (2023: 3.89% p.a).

14 Customer deposits

	2024 AED 000	2023 AED 000
By Type		
Demand, call and short notice	**34,403,679**	29,495,837
Wakala investments	**21,624,651**	13,330,344
Time deposits	**1,433,985**	1,514,051
Savings	**18,715,571**	16,557,979
Others*	**607,044**	416,704
	76,784,930	61,314,915

*Including Depositors' investment risk reserve amounting to AED 23.5 million (2023: AED 13.6 million).

Movement in depositors' investment risk reserve is as follows.

	2024 AED 000	2023 AED 000
Balance as at 1 January	**13,603**	2,724
Profit earned on reserve balance	**–**	–
Transfer	**10,516**	11,239
Zakat	**(623)**	(360)
Balance as at 31 December	**23,496**	13,603

By Business Units	2024 AED 000	2023 AED 000
Corporate banking	**19,122,106**	11,444,545
Retail banking	**57,662,824**	49,870,370
	76,784,930	61,314,915

The profit rates paid on the above deposits averaged 1.52% p.a. (2023: 1.26% p.a.).

15 Sukuk payable and other medium term financing

	31 December 2024 AED 000	31 December 2023 AED 000
Sukuk payable (note 15.1)	**7,426,875**	4,672,500
Other medium term financing *	**1,836,250**	–
	9,263,125	4,672,500

	2024 AED 000	2023 AED 000
Balance as at 1 January	**4,672,500**	3,672,500
Issuances	**4,590,625**	1,000,000
Balance as at 31 December	**9,263,125**	4,672,500

* During the year, the Group arranged funding of USD 500 million under a Shariah compliant financing arrangement maturing in March 2027.

Notes to the Group Consolidated Financial Statements continued
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15 Sukuk payable and other medium term financing (continued)

As at 31 December 2024, the outstanding Sukuk payable and other medium term financing totalling AED 9,263 million (31 December 2023: AED 4,673 million) is falling due as below:

	2024 AED 000	2023 AED 000
2025	**1,836,250**	1,836,250
2026	**2,836,250**	2,836,250
2027	**1,836,250**	–
2029	**2,754,375**	–
	9,263,125	4,672,500

15.1) During 2024, the Group issued Sukuk amounting to AED 2.8 billion to raise USD denominated senior unsecured sustainability medium term finance via a Shariah compliant sukuk financing arrangement.

During 2023, the Group issued Sukuk amounting to AED 1 billion to raise AED denominated medium term finance via a Shariah compliant sukuk financing arrangement.

In years 2020 and 2021, Group had issued AED 3.7 billion to raise USD denominated medium term finance via a Shariah compliant sukuk financing arrangement.

Following are the details of all the sukuk financing arrangement in issue.

Issue Date	Amount	Listing	Profit rate (%)	Payment basis	Maturity
September 2020	USD 500,000,000	Irish Stock Exchange & Nasdaq	1.827	Semi annual	September 2025
October 2021	USD 500,000,000	Irish Stock Exchange & Nasdaq	2.082	Semi annual	November 2026
February 2023	AED 1,000,000,000	Nasdaq	5.05	Semi annual	February 2026
May 2024	USD 750,000,000	Irish Stock Exchange & Nasdaq	5.431	Semi annual	May 2029

The Bank transferred certain identified Ijara assets totalling to AED 5.2 billion (the "co-owned assets") to its subsidiary, EIB Sukuk company limited – (the "Issuer"), a special purpose vehicle formed for the issuance of these sukuk. The Bank has further entered a Murabaha agreement with EIB Sukuk Company Limited for an amount of AED 2.5 billion. This medium term financing is carried at amortised cost.

In substance, the co-owned assets remain in control of the Group. Accordingly, these assets continue to be recognised by the Group. In case of any default, the Group has provided an undertaking to make good all losses to the Sukuk holders. The assets are in the control of the Group and shall continue to be serviced by the Group.

The Issuer will pay a semi-annual distribution amount from returns received in respect of the co-owned assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the Sukuk holders on the semi-annual distribution dates. Upon maturity of the sukuk, the Group has undertaken to repurchase the assets at the exercise price.

16 Other liabilities

	2024 AED 000	2023 AED 000
Profit payable to depositors	**481,117**	301,577
Staff related liabilities	**232,428**	194,036
Managers' cheques	**449,678**	612,105
Trade and other payables	**533,068**	342,530
Zakat payable	**15,917**	20,992
Provision for taxation	**277,650**	–
Deferred tax liabilities	**8,215**	–
Others	**2,000,894**	1,902,063
	3,998,967	3,373,303

17 Issued capital and share premium reserve

	2024 AED 000	2023 AED 000
Authorized Share Capital 10,000,000,000 (2023: 10,000,000,000) ordinary shares of AED 1 each (2023: AED 1 each)	**10,000,000**	10,000,000
Issued and fully paid up capital 5,430,421,875 (2023: 5,430,421,875) ordinary shares of AED 1 each (2023: AED 1 each)	**5,430,422**	5,430,422

18 Reserves

Legal and statutory reserve

In accordance with the Bank's Articles of Association, and in compliance with Decretal Federal Law No. (14) of 2018, a minimum of 10% of profit should be transferred to a non-distributable legal and statutory reserve until such time as this reserve equals 50% of the Bank's issued capital.

Other reserve

10% of the profit is also transferable to a non-distributable regular reserve until such time as this reserve equals 10% of the Bank's issued capital. Since the regular reserve is equal to 10% of the Bank's issued capital, profit was not appropriated to the regular reserve during the year.

	Legal and statutory reserve AED 000	Other reserves AED 000	Total AED 000
At 1 January 2024	**1,027,161**	543,043	1,570,204
Transfer from retained earnings*	**281,026**	–	281,026
At 31 December 2024	**1,308,187**	543,043	1,851,230

*Prior year comparatives are shown in the consolidated statement of changes in equity.

Fair value reserve

Fair value reserve includes the net change in fair value of FVOCI financial assets and the net effective portion of changes in fair value of cash flow hedges.

19 Income from financing and investment products

	2024 AED 000	2023 AED 000
Financing receivables		
- Murabaha	**3,135,332**	2,502,059
- Ijara	**1,189,322**	1,121,916
- Istisna'a	**102,312**	85,117
Investment securities measured at FVOCI	**198,095**	213,015
Investment securities measured at amortised cost	**302,648**	120,338
Others	**851,517**	622,448
	5,779,226	4,664,893

20 Distribution on deposits and profit paid to sukuk holders

	2024 AED 000	2023 AED 000
Distribution to depositors	**1,078,458**	751,404
Profit paid on account of sukuk and other medium term financing	**298,319**	118,899
Profit paid on due to banks	**105,981**	73,229
Others	**66,695**	7,384
	1,549,453	950,916

Distribution on deposits represents the share of income between depositors and equity holders. The allocation and distribution to depositors is approved by the Internal Shariah Supervision Committee.

During the years 2024 and 2023, the Bank, in its capacity as Mudarib, has not relinquished any part of its profit share to the benefit of account holders.

Profit paid to sukuk holders represents the distribution of returns received in respect of assets transferred to the EIB Sukuk Company Limited which was specifically formed for this transaction.

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21 Fee and commission income

	2024 AED 000	2023 AED 000
Commission income	**79,034**	82,041
Fee income	**1,047,914**	855,037
	1,126,948	937,078

22 Other operating income

	2024 AED 000	2023 AED 000
Dividend income on equity investments designated at FVTPL	**3,168**	29
Gain from sale of investment securities measured at FVOCI	**98**	37
Gain / (loss) from investment securities designated at FVTPL	**(1,397)**	27,774
Rental income (net of depreciation)	**9,151**	4,920
Gain / (loss) on sale of investment properties	**(1,077)**	9,921
Foreign exchange and Islamic derivative income / (loss)*	**585,915**	499,720
Other income (net)	**17,405**	27,052
	613,263	569,453

*Foreign exchange income comprises translation gain and gain on dealings with customers.

23 General and administrative expenses

	2024 AED 000	2023 AED 000
Staff cost	**758,873**	676,420
Occupancy cost	**29,296**	30,390
Equipment and supplies	**27,456**	27,993
Recharges from group companies	**560,029**	437,826
Communication cost	**39,862**	49,161
Marketing related expenses	**25,317**	23,884
Depreciation	**91,749**	88,573
Others	**112,102**	437,119
	1,644,684	1,771,366

24 Net impairment loss / (reversal) on financial assets

The charge to the income statement for the net impairment loss / (reversal) on financial assets is made up as follows:

	2024 AED 000	2023 AED 000
Net impairment of due from banks	**8,198**	4,923
Net impairment of investment securities	**(9,576)**	(6,548)
Net impairment of financing receivables (refer note 36 I)	**921,323**	1,072,701
Net impairment of unfunded exposures	**50,981**	140,034
Bad financing written off / (recovery) - net	**(299,098)**	(216,472)
	671,828	994,638

25 Taxation

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

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

The taxable income of the entities that are in scope for UAE CT purposes is subject to 9% CT rate. The Group is part of a group that is in scope of Pillar Two (i.e. exceeding the revenue threshold of EUR 750 million and operating in multiple jurisdictions). The Group Holding Company is in process of assessing its potential exposure to Pillar Two income taxes.

The Group's UAE operations will be subject to Pillar Two effective 1 January 2025. The effective tax rate is expected to be 15% on profits earned in the UAE (9% in 2024).

The amendments to IAS 12 introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing Pillar Two. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The tax charge for year ended 31 December 2024 is AED 278 million, representing Group effective tax rate of 8.99%.

A. Reconciliation of effective tax rate

	2024 AED 000
Profit before tax	**3,087,910**
Domestic tax (9%)	**277,912**
Tax effect of:	
Income not taxable	**(373)**
Non-deductible expenses	**147**
Others	**(36)**
	277,650

26 Directors' fees

This comprises of fees payable to the directors of the Group of AED 7 million (2023: AED 7 million).

27 Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, if any.

	2024	2023
Net profit for the year (AED '000)	**2,810,260**	2,121,215
Weighted average number of ordinary shares in issue ('000)	**5,430,422**	5,430,422
Earnings per share* (AED)	**0.518**	0.391

*The diluted and basic EPS were the same at the year end.

28 Islamic derivatives financial instruments

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2024	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	**1,511**	**(1,162)**	**3,808,261**	**1,718,071**	**1,790,235**	**–**	**–**	**299,955**
Foreign exchange options	**2,591**	**(2,665)**	**217,538**	**85,870**	**97,320**	**34,348**	**–**	**–**
Profit rate swaps/caps	**138,348**	**(146,193)**	**18,100,015**	**1,092,658**	**552,849**	**9,501,274**	**4,614,531**	**2,338,703**
	142,450	**(150,020)**	**22,125,814**	**2,896,599**	**2,440,404**	**9,535,622**	**4,614,531**	**2,638,658**
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	**14,497**	**–**	**1,525,000**	**–**	**–**	**1,525,000**	**–**	**–**
Total	**156,947**	**(150,020)**	**23,650,814**	**2,896,599**	**2,440,404**	**11,060,622**	**4,614,531**	**2,638,658**

Notes to the Group Consolidated Financial Statements continued
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28 Islamic derivatives financial instruments (continued)

31 December 2023	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	4,352	(374)	4,394,720	2,322,152	2,072,568	–	–	–
Foreign exchange options	4,587	(4,711)	654,206	105,792	317,375	231,039	–	–
Profit rate swaps/caps	170,248	(173,311)	11,863,935	–	1,101,228	5,279,226	2,965,090	2,518,391
	179,187	(178,396)	16,912,861	2,427,944	3,491,171	5,510,265	2,965,090	2,518,391
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	4,986	–	300,000	–	–	300,000	–	–
Total	184,173	(178,396)	17,212,861	2,427,944	3,491,171	5,810,265	2,965,090	2,518,391

Islamic derivative related credit risk
Credit risk in respect of Islamic derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group and potential future fluctuations. All credit exposure is managed under approved facilities and in certain cases collateralised. The Group takes a Credit Value Adjustment (CVA) on outstanding derivative transactions. The methodology for CVA calculation relies on three components: the probability of default of the counterparty, the expected positive exposure and the recovery rate. CVA is computed on all asset classes including Foreign Exchange and Profit Rates.

Islamic derivatives designated at FVTPL
Most of the Group's Islamic derivative activities relate to sales and position coverage. Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks.

Profit rate derivatives activities are conducted under Board approved limits.

Islamic derivatives held or issued for hedging purposes
As part of its asset and liability management, the Group uses Islamic derivatives for hedging purposes in order to reduce its exposure to currency and profit rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall balance sheet exposures.

The Group designates its Islamic derivatives held or issued for hedging purposes as:
- Fair value hedges: Hedges of the fair value of recognised assets or liabilities or firm commitments;
- Cash flow hedges: Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction; and
- Net investment hedges: Hedges of net investments in foreign operations.

Further, in terms of the hedging transactions carried out by the Group, the Group documents:
- At the inception of the transaction, the relationship between hedging instruments and hedged items, the risk being hedged and the Group's risk management objective and strategy for undertaking a hedge transaction.
- The manner in which effectiveness will be measured throughout the life of the hedge relationship.

At the end of period, no derivatives are designated for hedging purposes as "Fair value hedge" or "Net investment hedge".

The Group's assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is measured by the Group on a prospective basis at inception, as well as retrospectively (where applicable) and prospectively over the term of the hedge relationship. Sources of ineffectiveness in hedge accounting include the impact of Islamic derivative related credit risk on the valuation of the hedging Islamic derivative and hedged item. To mitigate this credit risk, the Group executes hedging Islamic derivatives with high quality counterparties and the majority of the Group's hedging Islamic derivatives are collateralised.

Fair value hedges:
The Group uses profit rate swaps to hedge against changes in value of investment securities due to profit rate movements. These are designated by the Group as fair value hedges and, therefore the fair value hedge accounting is applied to hedge movements in the value of fixed profit rate assets and liabilities subject to profit rate risk, as well as assets and liabilities subject to foreign exchange risk.

Subsequent to initial designation, changes in the fair value of Islamic derivatives designated as fair value hedges are accounted for in the 'other operating income', along with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

Cash flow hedges:
The Group uses profit rate swaps and forward rate agreements to hedge against the cash flow risks arising on certain floating rate customer deposits and medium-term financings. Profit rate swaps are also used to hedge against the cash flow risks arising on certain floating rate facilities and receivables. These are designated by the Group as cash flow hedges, and, as such, the Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to profit rate risk on variable rate assets and liabilities, and assets and liabilities subject to foreign exchange risk.

The effective portion of changes in the fair value of Islamic derivatives designated as cash flow hedges are recognised in the fair value reserve within equity. Any gain or loss relating to the ineffective portion is recognised immediately in the Group consolidated statement of income.

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

Corporate and institutional banking
Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits.

Retail banking and wealth management
Retail segment provides a wide range of products and services to individuals and small and medium enterprises and accepts their deposits.

Treasury
Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations, and brokerage services.

Others
Other operations of the Group include operations and support functions.

31 December 2024	Corporate and institutional banking AED 000	Retail banking and wealth management AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net income from financing and investment products	830,792	2,475,507	266,377	657,097	4,229,773
Net fees, commission & other income	200,085	923,316	2,208	8,678	1,134,287
Total operating income	1,030,877	3,398,823	268,585	665,775	5,364,060
General administrative and other expenses	(87,210)	(1,209,834)	(27,756)	(319,884)	(1,644,684)
Net impairment loss	(196,705)	(484,151)	9,146	40,244	(631,466)
Profit for the year before taxation	746,962	1,704,838	249,975	386,135	3,087,910
Segment Assets	39,695,947	50,832,782	20,650,021	(50,077)	111,128,673
Segment Liabilities and Equity	22,270,112	60,679,483	2,800,732	25,378,346	111,128,673

31 December 2023	Corporate and institutional banking AED 000	Retail banking and wealth management AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net income from financing and investment products	651,496	2,150,596	376,856	535,029	3,713,977
Net fees, commission & other income	179,691	822,304	35,780	13,819	1,051,594
Total operating income	831,187	2,972,900	412,636	548,848	4,765,571
General administrative and other expenses	(90,221)	(1,009,377)	(23,393)	(648,375)	(1,771,366)
Net impairment loss	(126,668)	(876,420)	6,282	123,816	(872,990)
Profit for the year before taxation	614,298	1,087,103	395,525	24,289	2,121,215
Segment Assets	27,305,137	41,522,562	18,966,447	17,585	87,811,731
Segment Liabilities and Equity	14,486,859	52,638,886	2,848,117	17,837,869	87,811,731

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

30 Commitments and contingencies
The Group's commitments and contingencies are as follows:

	2024 AED 000	2023 AED 000
Letters of credit	**604,169**	563,001
Guarantees	**8,661,048**	6,578,967
Liability on risk participations	**30,265**	10,781
Irrevocable financing commitments*	**2,367,784**	2,795,524
	11,663,266	9,948,273

*Irrevocable financing commitments represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to draw down have to be fulfilled the total contract amounts do not necessarily represent exact future cash requirements.

The table below summarizes the stage wise balances of unfunded exposures and customer acceptances and ECL thereon:

	31 December 2024			31 December 2023		
AED 000	**Stage 1**	**Stage 2**	**Stage 3**	Stage 1	Stage 2	Stage 3
Exposure	**11,982,304**	**172,185**	**256,572**	10,665,416	108,557	210,834
Expected credit losses	**46,431**	**9,225**	**256,572**	151,976	7,313	102,050

Unfunded exposure includes guarantees, standby letter of credits, acceptances and irrevocable financing commitments.

(a) Acceptance
Acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there is no off balance sheet commitment for acceptances.

(b) Capital Commitments
The Group has commitments as at 31 December 2024 for branch refurbishments and automation projects of AED 3.1 million (2023: AED 11.2 million).

31 Related party transactions
The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (40.92%), an entity which is wholly owned by the Government of Dubai.

Customer accounts from and financing to Government related entities, other than those that have been individually disclosed, amount to 17.2% and 4.8% (2023: 14.2% and 4.2%) of the total customer's deposits and financing receivables of the Group, respectively.

These entities are independently run business entities, and all the financial dealings with the Group are on normal commercial terms.

The Group has also entered into transactions with certain other related parties who are non-government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the year with key management personnel and their immediate relations at the year end.

Related party balances and transactions are carried out on normal commercial terms and are as follows:

	2024 AED 000	2023 AED 000
Financing and other receivables		
To parent and related companies	**676,209**	429,743
To directors and related companies	**9,683**	4,240
To key management personnel and affiliates	**3,923**	3,592
	689,815	437,575
Customer deposits and other payables		
From ultimate parent company	**–**	9
From parent and related companies	**3,790,181**	4,578,147
From directors and related companies	**136**	99
From key management personnel and affiliates	**20,404**	18,983
	3,810,721	4,597,238
Investment securities and Islamic derivatives		
Investment in ultimate parent company	**181,988**	186,045
Positive fair value of Islamic derivative - Parent and related companies	**45,190**	67,476
Negative fair value of Islamic derivative - Parent and related companies	**(111,929)**	(116,858)
Notional amount of Islamic derivative - Parent and related companies	**13,832,116**	10,804,699
Group Consolidated Statement of Income		
Recharges from group companies	**(560,029)**	(437,826)
Income from investment in ultimate parent company	**6,436**	6,443
Directors sitting and other fee	**3,682**	3,651
Income on financing receivables		
From parent and related companies	**57,370**	55,114
Distribution on deposits		
To ultimate parent company	**–**	3,911
To parent and related companies	**25,837**	25,800

The total amount of compensation paid to key management personnel of the Group during the year was as follows:

	2024 AED 000	2023 AED 000
Key management compensation		
Short term employee benefits	**29,275**	30,754
Post employment benefits	**969**	1,062

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

32 Geographical distribution of assets and liabilities
The Group's financial position, before taking into account any collateral held or other credit enhancement, can be analysed by the following regions:

31 December 2024	UAE AED 000	Other GCC AED 000	International AED 000	Total AED 000
Assets				
Cash and deposits with the Central Bank of the UAE	**14,674,527**	**–**	**–**	**14,674,527**
Due from banks	**3,765,492**	**4,015,850**	**2,247,118**	**10,028,460**
Investment securities	**5,782,011**	**4,760,171**	**2,921,391**	**13,463,573**
Financing receivables	**68,927,626**	**537,841**	**1,014,388**	**70,479,855**
Positive fair value of Islamic derivatives	**156,947**	**–**	**–**	**156,947**
Customer acceptances	**747,795**	**–**	**–**	**747,795**
Investment properties	**170,795**	**–**	**–**	**170,795**
Property and equipment	**320,207**	**–**	**–**	**320,207**
Other assets	**1,086,514**	**–**	**–**	**1,086,514**
Total assets	**95,631,914**	**9,313,862**	**6,182,897**	**111,128,673**
Liabilities				
Due to banks	**4,327,953**	**85,695**	**1,469,877**	**5,883,525**
Customer deposits	**75,792,885**	**318,190**	**673,855**	**76,784,930**
Sukuk payable	**9,263,125**	**–**	**–**	**9,263,125**
Negative fair value of Islamic derivatives	**150,020**	**–**	**–**	**150,020**
Customer acceptances	**747,795**	**–**	**–**	**747,795**
Other liabilities	**3,998,967**	**–**	**–**	**3,998,967**
Total equity	**14,300,311**	**–**	**–**	**14,300,311**
Total liabilities and equity	**108,581,056**	**403,885**	**2,143,732**	**111,128,673**
Geographical distribution of letters of credit and guarantees	**8,950,211**	**252,799**	**62,207**	**9,265,217**

31 December 2023				
Geographical distribution of assets	75,932,452	5,842,447	6,036,832	87,811,731
Geographical distribution of liabilities and equity	85,751,682	427,829	1,632,220	87,811,731
Geographical distribution of letters of credit and guarantees	6,390,411	151,449	600,108	7,141,968

33 Financial assets and liabilities
A. Classification of financial assets and financial liabilities

The table below sets out the Group's classification of each class of financial assets and liabilities, and their carrying values.

31 December 2024	FVTPL AED 000	FVOCI AED 000	Amortised cost* AED 000	Hedging instruments AED 000	Total carrying AED 000
Financial assets					
Cash and deposits with the Central Bank of the UAE	**–**	**–**	**14,674,527**	**–**	**14,674,527**
Due from banks	**–**	**–**	**10,028,460**	**–**	**10,028,460**
Investment securities	**62,775**	**5,351,390**	**8,049,408**	**–**	**13,463,573**
Financing receivables	**–**	**–**	**70,479,855**	**–**	**70,479,855**
Positive fair value of Islamic derivatives	**142,450**	**–**	**–**	**14,497**	**156,947**
Others	**–**	**–**	**1,530,988**	**–**	**1,530,988**
	205,225	**5,351,390**	**104,763,238**	**14,497**	**110,334,350**
Financial liabilities					
Due to banks	**–**	**–**	**5,883,525**	**–**	**5,883,525**
Customer deposits	**–**	**–**	**76,784,930**	**–**	**76,784,930**
Sukuk payable and other medium term financing	**–**	**–**	**9,263,125**	**–**	**9,263,125**
Negative fair value of Islamic derivatives	**150,020**	**–**	**–**	**–**	**150,020**
Others	**–**	**–**	**4,746,762**	**–**	**4,746,762**
	150,020	**–**	**96,678,342**	**–**	**96,828,362**

*The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

31 December 2024	FVTPL AED 000	FVOCI AED 000	Amortised cost* AED 000	Hedging instruments AED 000	Total carrying value AED 000
Financial assets					
Cash and deposits with the Central Bank of the UAE	**–**	**–**	**14,981,141**	**–**	**14,981,141**
Due from banks	**–**	**–**	**6,131,154**	**–**	**6,131,154**
Investment securities	**64,172**	**5,852,430**	**4,513,060**	**–**	**10,429,662**
Financing receivables	**–**	**–**	**53,747,737**	**–**	**53,747,737**
Positive fair value of Islamic derivatives	**179,187**	**–**	**–**	**4,986**	**184,173**
Others	**–**	**–**	**1,651,317**	**–**	**1,651,317**
	243,359	**5,852,430**	**81,024,409**	**4,986**	**87,125,184**
Financial liabilities					
Due to banks	**–**	**–**	**5,792,375**	**–**	**5,792,375**
Customer deposits	**–**	**–**	**61,314,915**	**–**	**61,314,915**
Sukuk payable and other medium term financing	**–**	**–**	**4,672,500**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**178,396**	**–**	**–**	**–**	**178,396**
Others	**–**	**–**	**4,409,837**		**4,409,837**
	178,396	**–**	**76,189,627**	**–**	**76,368,023**

* The carrying values of the financial assets and liabilities (that are not stated at fair value) are not significantly different to their fair values.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

33 Financial assets and liabilities (continued)
B. Fair value of financial instruments

The table below analyses financial instruments measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:
- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

31 December 2024	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment securities				
FVOCI				
Government sukuk	450,645	–	–	450,645
Corporate sukuk	4,900,745	–	–	4,900,745
	5,351,390	–	–	5,351,390
Designated at FVTPL				
Equity	–	–	62,775	62,775
	–	–	62,775	62,775
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	142,450	–	142,450
Islamic derivatives held as cash flow hedge: Profit rate swaps	–	14,497	–	14,497
	–	156,947	–	156,947
Negative fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	(150,020)	–	(150,020)
Islamic derivatives held as cash flow hedge: Profit rate swaps	–	–	–	–
	–	(150,020)	–	(150,020)
	5,351,390	6,927	62,775	5,421,092

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL AED 000
Balance as at 1 January 2024	64,172
Total gains or losses:	
– in profit or loss	(1,397)
Transfers out of level 3	–
Settlements and other adjustments	–
Balance as at 31 December 2024	62,775

31 December 2023	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment securities				
FVOCI				
Government sukuk	532,978	–	–	532,978
Corporate sukuk	5,319,452	–	–	5,319,452
	5,852,430	–	–	5,852,430
Designated at FVTPL				
Equity	–	–	64,172	64,172
	–	–	64,172	64,172
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	179,187	–	179,187
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	4,986	–	4,986
	–	184,173	–	184,173
Negative fair value of Islamic derivatives				
Islamic derivatives designated at FVTPL	–	(178,396)	–	(178,396)
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	–	–	–
	–	(178,396)	–	(178,396)
	5,852,430	5,777	64,172	5,922,379

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL AED 000
Balance as at 1 January 2023	64,298
Total gains or losses:	
– in profit or loss	6,969
Transfers out of level 3	–
Settlements and other adjustments	(7,095)
Balance as at 31 December 2023	64,172

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2024 and 31 December 2023.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

34 Notes to the group consolidated statement of cash flow

	2024 AED 000	2023 AED 000
(a) Analysis of changes in cash and cash equivalents during the year		
Balance at beginning of year	**(2,970,520)**	7,097,319
Net cash inflow/(outflow)	**1,026,731**	(10,067,839)
Balance at end of year	**(1,943,789)**	(2,970,520)
(b) Analysis of cash and cash equivalents		
Cash and deposits with the Central Bank of the UAE	**14,674,527**	14,981,141
Due from banks	**10,050,681**	6,145,177
Due to banks	**(5,883,525)**	(5,792,375)
	18,841,683	15,333,943
Less: Deposits with the Central Bank for regulatory purposes	**(7,705,048)**	(5,498,131)
Less: Murabaha with the Central Bank maturing after three months	**(5,246,541)**	(7,535,257)
Less: Amounts due from banks maturing after three months	**(8,718,911)**	(5,278,566)
Add: Amounts due to banks maturing after three months	**885,028**	7,491
	(1,943,789)	(2,970,520)
(c) Adjustment for non cash and other items		
Net impairment loss / (reversal) on due from banks	**8,198**	4,923
Net impairment loss / (reversal) on investment securities	**(9,576)**	(6,548)
Net Impairment loss on financing receivables	**921,323**	1,072,701
Net Impairment loss / (reversal) on unfunded exposure	**50,981**	140,034
Dividend income	**(3,168)**	(29)
Depreciation / impairment on property and equipment / investment properties	**59,430**	(21,430)
Unrealised (gain) / loss on investments	**1,397**	51,306
(Discount) / premium on investment securities	**7,432**	–
(Gain) / loss on sale of properties (investment properties / inventories)	**1,077**	(9,921)
Amortization (discount) / premium on Sukuk	**4,028**	2,791
	1,041,122	1,233,827

35 Capital management and allocation

The CBUAE supervises the Group on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Effective from 2017, the capital is computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision (Basel Committee), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three pillars: minimum capital requirements, supervisory review process and market discipline.

Minimum Capital Requirements

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital.

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

Regulatory Capital

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.
- AT1 capital comprises eligible non-common equity capital instruments. The Group does not have AT1 capital at the end of reporting period.
- T2 capital comprises qualifying subordinated financing, and undisclosed reserve.

The capital overview as per Basel III framework is given below:

	2024 AED 000	2023 AED 000
Available capital		
Common equity tier 1 capital	**14,358,016**	11,726,133
Tier 1 capital	**14,358,016**	11,726,133
Total eligible capital	**15,261,588**	12,426,801
Risk-weighted assets		
Credit risk	**72,285,768**	56,053,403
Market risk	**61,033**	101,515
Operational risk	**7,631,660**	5,830,949
Total risk-weighted assets	**79,978,461**	61,985,867

Capital Ratio	2024	2023
a. Total capital ratio for consolidated Group	**19.08%**	20.05%
b. Tier 1 ratio only for consolidated Group	**17.95%**	18.92%
c. CET1 ratio only for consolidated Group	**17.95%**	18.92%

The capital adequacy ratios as per Basel III capital regulation are given below:

	2024 AED 000	2023 AED 000
Common Equity Tier 1 (CET1) Capital		
Share Capital	**5,430,422**	5,430,422
Eligible reserves	**1,664,312**	1,300,225
Transitional arrangement: Partial addback of ECL impact to CET1	**166,714**	362,479
Retained earnings / (–) loss	**7,205,577**	4,713,061
CET1 capital before the regulatory adjustments and threshold deduction	**14,467,025**	11,806,187
Less: Regulatory deductions	**(109,009)**	(80,054)
Total CET1 capital after the regulatory adjustments and threshold deduction (A)	**14,358,016**	11,726,133
Additional Tier 1 (AT1) Capital		
Eligible AT1 capital	**–**	–
Other AT1 Capital (e.g. Share premium, non-controlling interest)	**–**	–
Total AT1 capital (B)	**–**	–
Tier 2 (T2) Capital		
Other Tier 2 capital (including General Provisions, etc.)	**903,572**	700,668
Total T2 Capital (C)	**903,572**	700,668
Total Regulatory Capital (A+B+C)	**15,261,588**	12,426,801

Notes to the Group Consolidated Financial Statements continued
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36 Risk management
The primary risks to the Group arise from extending credit to corporate and institutional banking and retail banking and wealth management customers. The Group is also exposed to a range of other risk types such as market, operational, liquidity, compliance, reputational, country conduct legal, environmental and social risks that drive the direction of its risk management strategy, product range and risk diversification strategies.

Group Risk Management Framework (GRMF):
The GRMF enables the Group to manage group-wide risks with the objective of maximizing returns while adhering to our risk appetite.

The Group uses a three lines of defence model to support its approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities. The three lines of defence are summarized below:

- Business units: required to ensure the effective management of risks within the scope of their direct organisational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities.
- Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Group's risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the management chain.
- Group Internal Audit: provides independent assurance and reports its findings to all relevant management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.

A. Risk governance
The Group's risk governance structure ensures central oversight and control with clear accountability for and ownership of risk.

The Board of Directors (the Board) has the ultimate responsibility for setting the Group's risk appetite and for the establishment and oversight of the Group's risk management framework. This is managed through a number of committees; namely Board Risk Committee (BRC), Board Credit & Investment Committee (BCIC), Board Profit Equalization Committee (BPEC) and Board Audit Committee (BAC). The management level committees also actively manage risk particularly the Group Risk Committee (GRC), Management Credit Committee (MCC), Management Investment Committee (MIC) and Asset Liability Management Committee (ALCO).

BRC supports the Board with its risk oversight responsibilities with regards to risk governance, risk appetite and the risk management framework. The BRC approves risk policies and reviews reports and updates on risk management including risk profile, portfolio trends, stress testing, liquidity and capital adequacy and is authorised to investigate or seek any information relating to any activity within its terms of reference.

BCIC supports the Board to manage the credit and investment portfolio of the Group and is responsible for approval of credit and investment decisions above the MCC and MIC's authority, which do not meet the Board's materiality threshold. It oversees the execution of Group's credit risk management approach and reviews the credit profile of material portfolios to ensure alignment with business strategy and risk appetite.

The primary role BAC is to have oversight and review of financial, audit and internal control issues as well as oversee the independence and performance of group's external and internal auditors.

MCC is management level committee with delegated authority carry out credit facilities decisions including but not limited to approval and renewal of credit facilities, review and monitoring of portfolio performance in line with the credit risk strategy, decisions on debt settlement, provisioning write off and amendments to pricing, grades and waiver.

The role of the MIC is to support the Board in the management of the Investment Portfolios of the Group to ensure they conform to the strategic vision of the same and support the Board in monitoring and reporting the performance of these portfolios.

The ALCO is responsible for balance sheet management and quality of the funding plan as well as the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and profit rate risk. The committee also approves the contingency funding plan as well as the funds transfer pricing among other things.

The GRC is a senior management committee responsible for the management of all risks throughout the Group other than those delegated to MCC, MIC and Group ALCO and ensures the effective management of risk in support of the Group's business strategy and Group's risk appetite. The committee supports Board Risk Committee in the review of policies to ensure effective management of risks the Group faces including credit, market, operational, reputational, compliance, legal, conduct and environmental and social risks.

B. The risk function
The Risk Function is independent of the business (origination, trading and sales functions) to ensure that the necessary balance in risk/return decisions is not compromised by pressures for better results in terms of revenues and to ensure transparency of decisions in accordance with Group standards and policies.

Group Risk assists in controlling and actively managing the Group's overall risk profile. The role of the function is:

- To ensure the risk management framework is effectively communicated and implemented across the Group and is appropriate to the Group's activities;
- To exercise direct ownership for various risk types including but not limited to credit, market, country, operational, reputational risks;
- To ensure that the Group's business strategies, risk policies, procedures and methodologies are consistent with the Group's risk appetite;
- To ensure the integrity of the Group's risk/return decisions guaranteeing their transparency;
- To ensure that appropriate risk management architecture and systems are developed and implemented.

C. Risk appetite
The Group Risk Appetite Statement (Group RAS) is an articulation of the risk that the Group would be willing to accept, underwrite and/or be exposed to in the normal course of its business conduct.

The Group RAS is a critical component and extension of the GRMF. It is a mechanism used by the Group to proactively establish and subsequently monitor the group's risk profile using a set of pre-defined key risk metrics and respective thresholds.

D. Credit risk
Credit risk is the risk of financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligation to the Group. Credit risk arises mainly from interbank, corporate and institutional banking and retail banking and wealth management receivables, and financing commitments arising from such financing activities, but can also arise from credit enhancement provided, such as financial guarantees, letter of credit, endorsement and acceptances.

The Group is also exposed to other credit risks arising from investments in financing securities (sukuk) and other exposures arising from derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk management
Group's approach to credit risk management is based on the foundation of independence and integrity of risk management. This is ensured through a well-defined and robust organisation structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework.

The Group's credit policy focuses on the core credit principles, financing guidelines and parameters, control and monitoring requirements, problem financing receivable identification, management of high-risk counterparties, provisioning and write-offs. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Portfolio performance is regularly measured against the risk appetite parameters and breaches, if any, are actioned by the Group's senior management.

Corporate and institutional Banking, Business Bank and Private Banking credit risk management
Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

Management of Early Alert (EA), Watch List (WL) & Impaired Non Performing Financing Receivables (NPFR) – The Group has a well-defined process for identification of EA, WL & NPFR accounts and dealing with them effectively. There are policies which govern credit grading of EA, WL & NPFR accounts and impairment, in line with IFRS and regulatory guidelines.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

36 Risk management (continued)
D. Credit Risk (continued)
Credit risk management (continued)
Retail banking credit risk management
The Group has a structured management framework for Retail banking risk management. The framework enables the Group in identification and evaluation of the significance of all credit risks that the Group faces, which may have an adverse material impact on its financial position.

In the retail banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to funding transactions.

The Group's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Group to prudently recognize impairment on its retail portfolios.

Credit approving authorities
BCIC has delegated credit approving authorities to the MCC, MIC and members of senior management to facilitate and effectively manage the business. However, BCIC has retained the ultimate authority to approve credits beyond MCC authority.

Credit risk measurement
The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

Credit risk grading
The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to various categories of counterparty. Obligor and financing receivable specific information collected at the time of facility application (such as disposable income, and level of collateral for retail exposure; and turnover and industry type considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated, such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the PD between a 1A and 2A rating grade is lower than the difference in the PD between a 3A and 4A rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail:
For Retail facility, the bank leverages both credit bureau information and/or in-house model for on boarding a customer. Post origination, the payment behaviour is closely monitored on a period basis and the behavioural score are build using historical payment behaviour and other factors which reflects risk associated with the customers.

Corporate and institutional Banking, Business Banking and Private Banking:
Ratings are determined at the obligor level for these segments. A relationship/portfolio manager incorporates any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the obligor every year from sources such as, but not limited to, published financial statements. This will determine the updated internal credit rating and PD.

Treasury:
For financing securities (sukuk) in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

The Group's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Group's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over the time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

ECL measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit-quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognized is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on Purchased or originated credit-impaired financial assets is measured on a lifetime basis.

Significant increase in credit risk
The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:
Corporate and Institutional Banking, Business Banking and Private Banking:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date in addition to assessing qualitative and quantitative factors.

Retail:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:
The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments.

The IFRS9 Governance Forum is the committee responsible for the oversight of provisions. The committee has reviewed the calculation process, methodology, and the results of provisions as presented by the EI Chief Risk Officer (EI CRO). Further, the Board approved the provisioning process and associated provisions as presented by the EI CRO, as per Article 9.16 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024.

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:
The obligor is more than 90 days past due on its contractual payments.

Qualitative:
The obligor meets unlikeliness to pay criteria, which indicates the obligor is in significant financial difficulty. These are instances like long-term forbearance, obligor is insolvent, obligor is entering bankruptcy etc.

Curing
The Group continues to monitor such financial instruments for a probationary period of up to 24 months, depending on the payment frequency, to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Group is observing a probationary period of a minimum of 4 instalments (for payments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposures from Stage 3 to 2.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

36 Risk management (continued)
D. Credit Risk (continued)
Credit risk management (continued)
Measuring ECL - Explanations of input, assumptions and estimation techniques
ECL inputs (PD, EAD and LGD) are adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective profit rate or an approximation thereof.

The Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the financing receivable. The maturity profile is based on historical observed data.

The EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet payment financings, this is based on the contractual payments owed by the obligor over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the obligor.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and other criteria's depending upon business segment. In addition, the final LGD is conditioned upon macro-economic outlook.

Forward looking economic information is also included in determining the 12 month and lifetime PD, EAD and LGD.

Forward-looking information incorporated in the ECL model
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Credit risk monitoring
Corporate and Institutional Banking, Business Banking and Private Banking: the Group's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally, for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 and regulatory requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

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

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

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

The risk transfer in the form of syndicated financings and risk participation agreements with other banks are globally accepted practices followed by the Group, where appropriate, to limit its exposure.

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

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

Please refer to Pillar 3 disclosures for additional information on collaterals.

Write offs
Financing and Sukuk in corporate and institutional banking and Treasury are written off (either partially or in full) when there is no reasonable prospect of recovery. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of the amounts due.

Non performing consumer financing and credit cards, except for mortgage facilities and home financing, are written off at 181 days past due. All receivables remain active on the financing management system for recovery and any legal strategy the Group may deem fit to use.

E. Analysis by economic activity for assets:
The Group monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

	2024		2023	
	Financing receivables	**Others**	Financing receivables	Others
Manufacturing	**2,661,385**	**731,820**	2,391,314	400,058
Construction	**382,593**	**259,642**	741,005	317,291
Trade	**5,782,657**	**–**	5,463,957	–
Transport and communication	**638,533**	**1,347,690**	604,412	1,223,101
Utilities and services	**2,106,761**	**896,191**	1,983,044	768,265
Sovereign	**1,418,238**	**4,816,553**	225,639	3,191,198
Personal	**45,976,812**	**–**	36,772,410	–
Real estate	**8,578,624**	**–**	4,546,094	–
Hotels and restaurants	**38,709**	**–**	91,565	–
Management of companies and enterprises	**4,682,710**	**–**	3,160,155	–
Financial institutions and investment companies	**1,601,651**	**15,383,365**	1,064,005	10,514,039
Others	**4,521,013**	**92,748**	3,216,041	184,217
Total Assets	**78,389,686**	**23,528,009**	60,259,641	16,598,169
Less: Deferred Income	**(3,213,965)**	**–**	(1,660,758)	–
Less: Expected credit loss	**(4,695,866)**	**(35,976)**	(4,851,146)	(37,353)
	70,479,855	**23,492,033**	53,747,737	16,560,816

Others includes due from banks and investment securities.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

36 Risk management (continued)
F. Classification of investment securities as per their external ratings

As of 31 December 2024

Ratings	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
AAA	–	–	238,463	238,463
AA- to AA+	–	730,319	2,219,450	2,949,769
A- to A+	–	2,910,839	3,754,676	6,665,515
Lower than A-	–	1,454,566	1,790,618	3,245,184
Unrated	62,775	264,207	51,415	378,397
Less: Expected credit loss	–	(8,541)	(5,214)	(13,755)
	62,775	5,351,390	8,049,408	13,463,573

Of which issued by:

	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
Governments	–	455,522	4,361,031	4,816,553
Public sector enterprises	–	4,350,508	3,693,591	8,044,099
Private sector and others	62,775	553,901	–	616,676
Less: Expected credit loss	–	(8,541)	(5,214)	(13,755)
	62,775	5,351,390	8,049,408	13,463,573

As of 31 December 2023

Ratings	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
AAA	–	–	238,328	238,328
AA- to AA+	–	934,787	939,371	1,874,158
A- to A+	–	2,872,648	1,898,469	4,771,117
Lower than A-	–	1,811,034	1,390,192	3,201,226
Unrated	64,172	252,576	51,415	368,163
Less: Expected credit loss	–	(18,615)	(4,715)	(23,330)
	64,172	5,852,430	4,513,060	10,429,662

Of which issued by:

	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
Governments	–	540,895	2,650,303	3,191,198
Public sector enterprises	–	4,592,421	1,867,472	6,459,893
Private sector and others	64,172	737,729	–	801,901
Less: Expected credit loss	–	(18,615)	(4,715)	(23,330)
	64,172	5,852,430	4,513,060	10,429,662

G. Risk gross maximum exposure:

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

	2024 AED 000	2023 AED 000
Deposits with Central Bank	13,503,946	14,078,160
Due from banks	10,028,460	6,131,154
Investment securities	13,463,573	10,429,662
Financing receivables	70,479,855	53,747,737
Positive fair value of Islamic derivatives	156,947	184,173
Customer acceptances	747,795	1,036,534
Other assets	200,518	151,225
Total (A)	108,581,094	85,758,645
Contingent liabilities	9,295,482	7,152,749
Irrevocable commitments	2,367,784	2,795,524
Total (B)	11,663,266	9,948,273
Total credit risk exposure (A + B)	120,244,360	95,706,918

H. Credit quality analysis:

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

AED 000 31 December 2024	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	52,544,710	2,372,055	3,682,118	58,598,883
Transfers from stage 1	(2,101,057)	1,926,817	174,240	–
Transfers from stage 2	1,019,064	(1,805,363)	786,299	–
Transfers from stage 3	13,261	42,231	(55,492)	–
New financial assets, net of payments and others	17,590,238	273,590	(312,437)	17,551,391
Amounts written off during the year	–	–	(974,553)	(974,553)
Total gross financing receivables as at 31 December	69,066,216	2,809,330	3,300,175	75,175,721
Expected credit losses	(1,219,370)	(365,036)	(3,111,460)	(4,695,866)
Carrying amount	67,846,846	2,444,294	188,715	70,479,855
By business units				
Corporate Banking	26,853,785	1,202,415	2,645,908	30,702,108
Retail Banking	42,212,431	1,606,915	654,267	44,473,613
Total gross financing receivables	69,066,216	2,809,330	3,300,175	75,175,721

AED 000 31 December 2023	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	48,129,717	1,259,856	3,692,074	53,081,647
Transfers from stage 1	(2,178,901)	1,588,044	590,857	–
Transfers from stage 2	312,900	(652,413)	339,513	–
Transfers from stage 3	367	19,846	(20,213)	–
New financial assets, net of payments and others	6,280,627	156,722	14,111	6,451,460
Amounts written off during the year	–	–	(934,224)	(934,224)
Total gross financing receivables as at 31 December	52,544,710	2,372,055	3,682,118	58,598,883
Expected credit losses	(1,264,296)	(275,465)	(3,311,385)	(4,851,146)
Carrying amount	51,280,414	2,096,590	370,733	53,747,737
By business units				
Corporate Banking	18,713,745	502,190	3,049,098	22,265,033
Retail Banking	33,830,965	1,869,865	633,020	36,333,850
Total gross financing receivables	52,544,710	2,372,055	3,682,118	58,598,883

The stage 1 and stage 2 are performing financing receivables having grades 1a-4f while stage 3 is non-performing financing receivable having grades 5a-5d.

Corporate Banking – Performing does not include any exposure against watchlist customers.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

36 Risk management (continued)
I. Amounts arising from ECL

Financing receivables	31 December 2024				31 December 2023			
AED 000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at 1 January	**1,264,296**	**275,465**	**3,311,385**	**4,851,146**	955,482	274,920	3,482,267	4,712,669
Transfers from Stage 1	**(95,828)**	**66,646**	**29,182**	**–**	(87,730)	33,256	54,474	–
Transfers from Stage 2	**46,517**	**(260,676)**	**214,159**	**–**	20,605	(142,035)	121,430	–
Transfers from Stage 3	**6,845**	**3,036**	**(9,881)**	**–**	367	5,663	(6,030)	–
Allowances for impairment made during the year	**(2,460)**	**280,565**	**850,752**	**1,128,857**	375,572	103,661	1,076,834	1,556,067
Write back / recoveries made during the year	**–**	**–**	**(207,534)**	**(207,534)**	–	–	(483,366)	(483,366)
Amounts written off during the year	**–**	**–**	**(974,553)**	**(974,553)**	–	–	(934,224)	(934,224)
Others*	**–**	**–**	**(102,050)**	**(102,050)**	–	–	–	–
Closing balance as at 31 December	**1,219,370**	**365,036**	**3,111,460**	**4,695,866**	1,264,296	275,465	3,311,385	4,851,146

The contractual amount outstanding on financing receivables which were written off during the year and are still subject to enforcement activity amounted to AED 975 million (2023: AED 934 million).

*This represents ECL against unfunded exposures transferred to other liabilities.

J. Market risk

Market Risk is the risk that the value of financial instruments in the Group's book – with the inclusion of some other financial assets and liabilities could produce a loss because of changes in future market conditions.

The Group takes on market risks in the pursuit of its strategic and business objectives.

The Group predominantly pursues opportunities in the market that exposes itself to the following categories of market risk - which are actively managed and monitored:

- Profit Rate Risk: losses in value due to changes in the level, slope and curvature of yield curves, the volatility of profit rates and changes in credit spreads
- FX Risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of currency rates
- Credit Spread Risk: Losses in the value due to change in credit spreads driven by associated credit risk of the security issuer/ underlying
- Commodity Price Risk: losses in value due to exposures to changes in spot prices, forward prices, and volatilities of commodities such as precious metals.

The Group's risk exposures to market risk are segregated into Trading and Banking Books. The Trading Book include those financial instruments held with trading intent arising from market-making, position-taking and other so designated financial instruments accounted for at fair value daily. The Banking Book include financial instruments not held with trading intent that arise from the management of Profit Rate risk and FX risk from the Group's retail and corporate and institutional banking assets and liabilities, and other financial investments designated as either FVOCI or Amortised Cost.

Market risk oversight and management process

As part of the Group's enterprise-wide risk management framework, an extensive governance processes are applied to the market risk taking activities. This governance framework includes, inter alia:

- Approval by the Group's Board Risk Committee (BRC) and Asset-Liability Committee (ALCO) of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures subject to regular review and consistent with the Bank's approach to strict compliance with Shariah rules and principles.
- A comprehensive set of policies, procedures and limits; and
- Monitoring a wide range of risk metrics appropriate for the respective dealing activities - such as risk sensitivities, Gross and Net open positions, Value-at-Risk (VaR) and stop-loss limits.

The Group uses appropriate and independently validated market standard models for the revaluation and risk measurement of its linear and non-linear financial products and receives regular market information from independent market data providers in order to measure and monitor market risk.

The Group's market risk is managed through risk limits set by the ALCO and approved by the Board Risk Committee. Risk limits are reviewed by the ALCO on an annual basis and are monitored independently by the Market Risk unit on a regular basis, and exceptions, if any, are reported to senior management.

Value-at-Risk

To better capture the multi-dimensional aspects of market risk, the Group's primary market risk metric is a statistical one, Value-at-Risk (VaR), which is used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes, such as Profit Rate VaR, Foreign Exchange VaR and Total VaR

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to currency risk since the majority of the assets and liabilities of the Group are denominated predominately in either AED or in USD-pegged currencies from other GCC countries.

ii. Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effect on equity due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2024			2023		
	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000
Equity	**10**	**6,278**	**–**	10	6,417	–
Sukuk	**10**	**–**	**535,139**	10	–	585,243

K. Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This definition includes legal risks (described as exposure to fines, penalties and punitive damages resulting from supervisory actions, as well as private settlements), regulatory risks, and the risk arising from change initiatives.

Operational Risk Governance Framework

The Group applies a three line of defence model for operational risk management. The business and support units form the first line of defence. They have the primary responsibility and accountability for identifying operational risk in their areas and to promptly mitigate any issues.

The Operational Risk function as the second line of defence, provide consistent and standardized methods and tools to business and support functions for managing operational risk. The Group Operational Risk unit monitors the risk management process and compliance to the operational risk policies and procedures. It conducts independent analysis of the operational risk exposure and the bank's mitigating strategies.

Internal Audit acts as the third line of defence, provides independent assurance to the Board of Directors.

Operational Risk Management Process

The Group has set up the Operational Risk function within Risk Management Team to establish the framework and governance structure set out in the operational risk policy. The risk management process comprises mainly of the below elements:

- Risk Assessment
- Risk Monitoring and Review
- Risk Treatment
- Risk Reporting

This function develops and implements the methods for the identification, assessment and monitoring of Operational Risk throughout the Group and provides regular and comprehensive reporting on operational risks to senior management. The function supports business and other support units to monitor and manage their individual operational risks. Furthermore, the Group Operational Risk function also provides analysis and reports on operational risks to management committees (Board Risk Committee, Group Risk Committee, Local Risk Committee), and to the CBUAE as per regulations, guidelines / circulars and conducts independent oversight and monitoring of risks and mitigating measures.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

36 Risk management (continued)
K. Operational risk (continued)

Insurance Management
The Group obtains comprehensive and tailored insurance cover to protect the Group against unexpected and unforeseeable losses. Islamic insurance cover is obtained from high rated insurance companies in the international reinsurance market. The requirements for insurance are reviewed annually and the insurance cover is aligned to changes of the Group's risk exposure.

Fraud Management
The Board and Management are determined to build and maintain a credible defence to the threat posed by fraud.

In line with the evolving banking technologies and digital landscape, management has recognized the need for greater focus on anti-fraud capabilities of the Group. As such the bank is continuously investing into advanced systems and controls for the interdiction of frauds perpetrated against the bank. The bank has increased monitoring and enhanced detective controls to manage fraud risks, which arise from new technologies and new methods of banking.

The Group has a specialized Fraud Prevention and Investigation (FP&I) team which focuses on investigation of fraud attempts against the bank, spreading fraud awareness to stakeholders, identification and mitigation of fraud risks. The team has independent reporting to Board Risk Committee.

The Group has policies and procedures in place to ensure compliance with prevailing legislation and limit risk, including the risk of fraud.

Whistleblowing
The Group is committed to the highest standards of openness, integrity and accountability in the delivery of its services. Whilst the Group has instituted a wide range of rules, regulations, procedures and codes of practice to deliver on its commitments, fraud, malpractice, abuse and/or wrongdoing may unfortunately occur.

As such, the Group as part of 'Whistleblowers Policy', provides the platform to employees for reporting of malpractices. The policy is designed to encourage employees to report suspected internal fraud and other breaches, through specified channels, while safeguarding the employee from retribution.

Cyber Security Management
Emirates Islamic considers Information and related processes, systems, and networks as an important and valuable asset. These assets are required to be protected to ensure their confidentiality, availability and integrity at all times.

The Group has established a comprehensive cyber security framework based on three line of defence model.

The framework ensures Emirates Islamic is resilient to sustain cyber security threats in an evolving and increasingly complex digital environment.

Business Continuity Management
Business Continuity Management (BCM) is defined as a "holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities."

The business continuity process across the Group is based on the international standard ISO22301:2012 (E). The BRC is responsible for providing oversight and strategy for Business Continuity Management. Business and support units are responsible to ensure appropriate Business Continuity Plans are in place and tested for their respective areas. The effectiveness of the Business Continuity Plans is monitored independently by Group Operational Risk.

L. Liquidity risk
Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

Objectives and Governance structure
The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments (under both normal and stressed conditions) can be met when due, and that access to the wholesale markets is coordinated and cost effective. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements.

Policies and Procedures
Specifically, liquidity and funding management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow, retention and decay assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity and financing receivables to deposits ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the concentration and profile of financing maturities;
- maintaining financing plans;
- monitoring customer depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of distress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crisis, while minimising adverse long-term implications for the business.

M. Maturity analysis of assets and liabilities
The table below summarizes the maturity profile of the Group's assets and liabilities based on their carrying values:

31 December 2024	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Undated and Over 5 years AED 000	Total AED 000
Assets						
Cash and deposits with the Central bank of the UAE	**12,851,170**	**1,823,357**	**–**	**–**	**–**	**14,674,527**
Due from banks	**2,226,386**	**2,822,558**	**4,979,516**	**–**	**–**	**10,028,460**
Investment securities	**305,227**	**1,270,504**	**3,451,547**	**5,603,066**	**2,833,229**	**13,463,573**
Financing receivables	**17,232,227**	**10,985,631**	**16,082,176**	**10,432,707**	**15,747,114**	**70,479,855**
Positive fair value of Islamic derivatives	**4,637**	**4,808**	**52,046**	**60,480**	**34,976**	**156,947**
Investment properties	**–**	**–**	**–**	**–**	**170,795**	**170,795**
Customer acceptances	**747,795**	**–**	**–**	**–**	**–**	**747,795**
Property and equipment	**–**	**–**	**–**	**–**	**320,207**	**320,207**
Other Assets	**426,644**	**–**	**–**	**–**	**659,870**	**1,086,514**
Total assets	**33,794,086**	**16,906,858**	**24,565,285**	**16,096,253**	**19,766,191**	**111,128,673**

31 December 2024	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Undated and Over 5 years AED 000	Total AED 000
Liabilities						
Due to banks	**3,034,887**	**863,477**	**–**	**–**	**1,985,161**	**5,883,525**
Customer deposits	**62,783,812**	**12,306,374**	**642,685**	**710,755**	**341,304**	**76,784,930**
Sukuk payable and other medium term financing	**–**	**1,836,064**	**4,672,007**	**2,755,054**	**–**	**9,263,125**
Negative fair value of Islamic derivatives	**4,399**	**5,050**	**41,393**	**61,442**	**37,736**	**150,020**
Customer acceptances	**747,795**	**–**	**–**	**–**	**–**	**747,795**
Other liabilities	**1,982,156**	**–**	**–**	**–**	**2,016,811**	**3,998,967**
Total equity	**–**	**–**	**–**	**–**	**14,300,311**	**14,300,311**
Total liabilities and equity	**68,553,049**	**15,010,965**	**5,356,085**	**3,527,251**	**18,681,323**	**111,128,673**
Off balance sheet						
Letter of credits and guarantees	**4,234,072**	**2,699,499**	**2,042,882**	**30,337**	**258,427**	**9,265,217**
31 December 2023						
Assets	31,270,218	16,794,071	13,180,657	9,496,880	17,069,905	87,811,731
Liabilities and equity	57,557,382	8,420,448	5,590,337	413,760	15,829,804	87,811,731
Off balance sheet	3,512,997	1,658,880	1,253,999	287,271	428,821	7,141,968

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

36 Risk management (continued)

N. Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2024 based on contractual undiscounted payment obligations.

Payments which are subject to notice are treated as if notice was given immediately. However, the Group expects that many customers will not request payment on the earliest date, the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	5,883,525	(5,928,658)	(3,055,075)	(888,422)	–	–	(1,985,161)
Customer deposits	76,784,930	(77,411,503)	(62,947,335)	(12,555,064)	(759,402)	(802,160)	(347,542)
Sukuk payable	9,263,125	(10,264,367)	(35,010)	(2,112,401)	(5,138,000)	(2,978,956)	–
	91,931,580	(93,604,528)	(66,037,420)	(15,555,887)	(5,897,402)	(3,781,116)	(2,332,703)
Letters of credit and guarantees	9,265,217	(9,265,217)	(4,234,072)	(2,699,499)	(2,042,882)	(30,337)	(258,427)
Irrevocable financing commitments	2,367,784	(2,367,784)	(2,086,851)	(102,187)	(1,940)	(6,014)	(170,792)

31 December 2023	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	5,792,375	(5,829,167)	(3,264,014)	(569,586)	–	–	(1,995,567)
Customer deposits	61,314,915	(61,818,660)	(51,956,362)	(8,032,758)	(960,791)	(416,325)	(452,424)
Sukuk payable	4,672,500	(4,950,178)	(30,909)	(93,408)	(4,825,861)	–	–
	71,779,790	(72,598,005)	(55,251,285)	(8,695,752)	(5,786,652)	(416,325)	(2,447,991)
Letters of credit and guarantees	7,141,968	(7,141,968)	(3,512,997)	(1,658,880)	(1,253,999)	(287,271)	(428,821)
Irrevocable financing commitments	2,795,524	(2,795,524)	(722,383)	(2,055,759)	–	–	(17,382)

O. Profit rate risk in the banking book

Profit Rate Risk in the Banking Book ('PRRBB') is defined as the exposure of the non-trading products of the Group to profit rates. Non-trading portfolios include all banking book positions that arise from the profit rate on the Group's retail and commercial banking assets and liabilities, and financial investments designated at fair value through other comprehensive income and amortised cost. PRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of profit rate changes.

In order to manage this risk optimally, PRRBB in non-trading portfolios is transferred to Group Treasury under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) Systems. Group ALCO is required to regularly monitor all such profit rate risk positions to ensure they comply with profit rate risk limits.

For measuring overall profit sensitivity in the banking book, the Group conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points, and assessing the corresponding impact on its net income from financing and investment products.

	As at 31 December 2024		As at 31 December 2023	
AED 000	Amount	Variance	Amount	Variance
Rates Up 200 bp	4,235,597	370,011	3,669,155	422,878
Base Case	3,865,586	–	3,246,278	–
Rates Down 200 bp	3,153,679	(711,907)	2,571,000	(675,278)

The profit rate sensitivities set out in the table above are based on a set scenario i.e. the projections above assume that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net income from financing and investment products of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by Group Treasury or in the business units to mitigate the impact of this profit rate risk. In practice, Group Treasury seeks proactively to change the profit rate risk profile to minimize losses and optimise net revenues.

P. Profit rate repricing analysis*

31 December 2024	Less than 1 month Actual	Over 1 month to 3 months Actual	Over 3 months to 6 months Actual	Over 6 months to 1 year Actual	Over 1 year Actual	Non-profit bearing Actual	Total AED 000
Assets							
Cash and deposits with the Central Bank of the UAE	–	3,423,188	1,521,415	301,938	–	9,427,986	14,674,527
Due from banks	3,851,318	4,224,279	689,069	1,073,492	–	190,302	10,028,460
Investment securities	178,546	126,797	509,030	761,474	11,824,951	62,775	13,463,573
Financing receivables	22,802,187	27,784,210	4,057,900	4,510,119	11,325,439	–	70,479,855
Positive fair value of Islamic derivatives	–	–	–	–	–	156,947	156,947
Investment properties	–	–	–	–	–	170,795	170,795
Customer acceptances	–	–	–	–	–	747,795	747,795
Property and equipment	–	–	–	–	–	320,207	320,207
Other assets	–	–	–	–	–	1,086,514	1,086,514
Total assets	26,832,051	35,558,474	6,777,414	6,647,023	23,150,390	12,163,321	111,128,673

*Represents when the profit rate will be repriced for each class of assets and liabilities.

31 December 2024	Less than 1 month Actual	Over 1 month to 3 months Actual	Over 3 months to 6 months Actual	Over 6 months to 1 year Actual	Over 1 year Actual	Non-profit bearing Actual	Total AED 000
Liabilities and equity							
Due to banks	902,896	1,853,469	–	863,477	–	2,263,683	5,883,525
Customer deposits	23,871,832	4,980,787	6,576,103	5,946,771	201,050	35,208,387	76,784,930
Sukuk payable and other medium term financing	–	1,836,250	–	1,836,064	5,590,811	–	9,263,125
Negative fair value of Islamic derivatives	–	–	–	–	–	150,020	150,020
Customer acceptances	–	–	–	–	–	747,795	747,795
Other liabilities	–	–	–	–	–	3,998,967	3,998,967
Total equity	–	–	–	–	–	14,300,311	14,300,311
Total liabilities and equity	24,774,728	8,670,506	6,576,103	8,646,312	5,791,861	56,669,163	111,128,673
On balance sheet gap	2,057,323	26,887,968	201,311	(1,999,289)	17,358,529	(44,505,842)	–
Profit rate sensitivity gap – 2024	2,057,323	26,887,968	201,311	(1,999,289)	17,358,529	(44,505,842)	–
Cumulative profit rate sensitivity gap – 2024	2,057,323	28,945,291	29,146,602	27,147,313	44,505,842	–	–
Cumulative profit rate sensitivity gap – 2023	(621,963)	24,836,066	26,317,670	26,583,515	38,254,867	–	–

*Represents when the profit rate will be repriced for each class of assets and liabilities.

Notes to the Group Consolidated Financial Statements continued
For the year ended 31 December 2024

36 Risk management (continued)

Q. Reputational risk
Reputational risk is the risk of damage to a Group's reputation as a result of any event, arising from negative publicity about its business practices, conduct, or financial condition. Such negative publicity may affect public or stakeholder confidence in the Group leading to a decline in customer base, business revenue, liquidity, or capital position. Reputational Risk may also arise as a result of negative stakeholder opinion. This could be a result of any event, behaviour, action, or inaction, either by the Group's itself, our employees or those with whom we are associated.

Reputational risk damage can often arise from a secondary effect or outcome of other interconnected risks, as defined within the Group Risk Management Framework. As such, these additional risk categories when assessing reputational risks and their measurement.

The Groups Reputational Risk policy is defined to ensure all organisational units identify, measure, manage and monitor the reputational risks that arise from the ongoing operations of the Group during its transactions with clients, setting up of new products business practices, counterparties, customer complaints and claims, sponsorship, and media relations. The governance of the Group's reputational risk management is integrated into the Group's broader risk management framework.

R. ICAAP and Stress-Testing
Stress testing is an integral part of the Group's risk management process. It includes scenario analysis and is conducted regularly. In particular, the ICAAP (a group-wide exercise spanning risk types) is performed annually. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio and branch/subsidiary level. Every stress test is documented and the results are discussed at the EXCO level and approved by the GRC and the BRC.

Stress testing alerts senior management to the Group's potential vulnerability to exceptional but plausible adverse events. As such, stress testing enable us to assess capital adequacy and identify potential risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

S. Model Risk
Model risk is the risk of potential adverse consequences arising from decision made based on incorrect or misused model outputs and reports. As the Group has a robust model governance and Management approach, potential losses arising from the outputs of the internal models due to errors in the development, implementation, or use of such models are well understood and managed.

A specialised model management unit within the Group oversees the validation and use of models for regulatory and/or financial reporting purposes, guided by the Group Model Governance and Management Framework. This ensures that the models follow a robust approach of validation prior to use. The governance process for the models is performed across the model life cycle. All Tier 1 and Tier 2 models are managed through a centralised Model Inventory System to track and manage their use. The Group Model Validation Standards outline the minimum requirements that models should meet prior to use.

T. Regulatory/compliance risk
Regulatory/Compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions.

The Group has an independent Compliance function, with the necessary mandate and authority to enforce and monitor compliance on a Group wide basis. This includes compliance with the applicable laws and regulations across the various jurisdictions where the Group operates as well as those of the USD / EU clearing centres.

Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Group wide and are supplemented where necessary to address any unique local requirements. These policies are supported by automated screening and monitoring systems and associated investigation teams to help comply with the Sanctions, AML, CTF, FATCA and CRS requirements. Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

Shariah non-compliance risk
Non-compliance with Internal Shariah Supervision Committee's Resolutions and Fatwas while taking administrative decision, products or executing financial products' contracts, may cause a reputational risk for the Group.

The Group has permanent Internal Shariah Control Department to evaluate all existing and proposed solutions prior to presenting it to Internal Shariah Supervision Committee for approval and to conduct a periodic Shariah audit to ensure compliance with Shariah principles and rules.

Based on the Shariah Governance Standard for Islamic Financial Institutions issued by the Higher Shariah Authority of the Central Bank of UAE ("HSA") on 21 April 2020 (the "Standard"), the Bank's Board of Directors ("Board") is ultimately responsible for the Bank's compliance with Shariah principles. The ISSC is the highest authority in the Bank from a Shariah governance perspective. The Board is expected to be aware of Shariah non-compliance risk and its potential impact on the Bank. The Board Risk Committee supervises and monitors management of Shariah non-compliance risk and sets controls in relation to this type of risk, in consultation with ISSC and through the Internal Shariah control Division of the Bank. ("ISCD"). The Board risk committee ensures the availability of an information system that enables the Bank to measure, assess and report Shariah non-compliance risk. Reports are provided in a timely manner to the Board and Senior Management, in formats suitable for their use and understanding. The Bank implements effective internal Shariah controls adopting the three lines of defence approach where each line is independent, which includes:
- The first line of defence, represented by the business line, sets clear policies, procedures, and controls, approved by Internal Shariah Supervision Committee of the Bank ("ISSC"), and executes the business activities in a manner compliant with the principles of Shariah at all times.
- The second line of defence, represented by the ISCD, undertakes amongst the others the Shariah control and Shariah compliance functions.
- The third line of defence represented by Internal Shariah Audit Department undertakes the execution of Shariah audit assignments of the Bank and reports its findings to the ISSC.

U. Environmental, social and governance (ESG) risk
The rapidly changing global landscape, marked by challenges such as climate change, the evolving expectations of our stakeholders, as well as a continuous evolution of international standards, particularly in the areas of sustainability accounting, audit and ethics necessitates a proactive approach to ESG. The Group continues to develop its approach to ESG in line with progressing standards, both regionally and globally.

Climate related risk
Climate risks relate to the financial and non-financial impacts that may arise as a result of climate change. There are two categories of climate risks: physical risks, as a result of climate change and environmental factors that are event driven (acute) or longer-term shifts (chronic) and may vary in severity and frequency across various scenarios, and transition risks, which arises from the shift to a low carbon economy. Managing climate risk is critical in the pursuit of sustainable growth and transitioning towards a low carbon economy. Both, physical and transition risks can affect households, businesses and the wider macroeconomy and manifest within the Group's principal risks in several ways.

The Group considers climate risk as part of the broader environmental and social risks. Our strategy on climate risk has been incorporated into the Group Risk Management Framework and is guided by the three-lines of defence approach.

The Group's Board of Directors bears the final responsibility for all aspects concerning climate related risks. The Board actively participates in shaping our ESG strategy and is regularly briefed on the progress of this strategy by the Executive Committee.

Impact of climate risk on accounting judgments and estimates
The Group is currently assessing the financial impacts associated with climate-related credit risk. Using the results of ongoing analysis, the Group intends to highlight and address risks and opportunities which present immediate and anticipated effects on financial position, performance and planning as well as cashflows and to disclose the actions taken to manage these risks and opportunities.

As at 31 December 2024, the Group raised sukuk payable amounting to AED 2,754 million via sustainable and green financings in capital markets.

36 Risk management (continued)

V. Risk management framework and processes at Group entities

In establishing risk management policies & processes at the Group entities level, due consideration is given to the entities' specific regulatory environment.

W. Internal Audit's role in overall risk management

The Group Internal Audit is an independent appraisal function established by the Board of Directors to examine and evaluate the activities of the Group including all aspects of the Group Risk Management. The department is organisationally independent of all other functions in the bank. The unit is headed by the Chief Audit Officer, who is accountable to the Board of Directors through the Board Audit Committee.

The primary objectives of Group Internal Audit is to provide assurance on risks to which the Group' business are exposed, evaluate the adequacy and effectiveness of financial/operating controls and the Corporate Governance environment, assess the extent to which assets are accounted for and safeguarded from losses and conduct follow-up activities to assess and report on the degree to which management has addressed risks and compliance with action plans previously agreed.

The unit's mission is achieved through a risk based annual audit plan approved by the Board Audit Committee. A formal report is prepared at the end of each quarter which includes a summary of audit activity completed during the period and an update on the status of previously reported matters for Board Audit Committee attention.

The Board Audit Committee reviews and approves Group Internal Audit's plans and resources, and evaluates the effectiveness of the Internal Audit function. External advisers also periodically conduct an assessment of the function.

37 LEGAL PROCEEDINGS

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group is party to legal proceedings and regulatory matters arising out of its normal business operations. The Group has proper controls and policies for managing legal claims. The recognition of provisions is determined in accordance with the accounting policies set out in Note 6. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2024. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2024 other than to the extent already provided.

38 SOCIAL CONTRIBUTIONS

Earnings prohibited by Shariah for 2024 amount to AED 4.7 million (2023: AED 9.6 million). The social contributions (including donations and charity) made during the year amount to AED 37.0 million (2023: AED 50.5 million).

39 COMPARATIVE AMOUNTS

Certain prior year comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

Emirates Islamic Bank P.J.S.C.
3rd Floor, Building 16,
Dubai Healthcare City, Dubai
PO Box: 6564, Dubai,
United Arab Emirates

emiratesislamic.ae

ACCEPTANCE FORM

Please complete as explained below (To be completed in BLOCK CAPITALS). The provisions of the Offer Document and the Terms and Conditions are incorporated in and form part of this Acceptance Form

<table>
<tr><td rowspan="2">1</td><td>To accept the Offer – full name and address of registered holder</td><td>FULL NAME AND ADDRESS OF REGISTERED HOLDER (To be completed in BLOCK CAPITALS)</td></tr>
<tr><td>To accept the Offer in respect of all of your EIB Shares, complete Box 1 with the full name and address of the registered holder in BLOCK CAPITALS.</td><td>Forename(s)........................ (Mr/Mrs/Miss/Title) Surname........................
Address / Postcode........................
Daytime telephone number........................
Emirates EID (for UAE residents)........................ Passport number........................
DFM Investor Number........................
Broker Name........................ Account Number........................ No. of shares........................
If more than one Broker, complete also the below
Broker Name........................ Account Number........................ No. of shares........................
Broker Name........................ Account Number........................ No. of shares........................</td></tr>
</table>

<table>
<tr><td rowspan="3">2</td><td>Signature</td><td colspan="2">SIGN HERE TO ACCEPT THE OFFER</td></tr>
<tr><td rowspan="2">To accept the Offer, you must sign Box 2. If the acceptance is not made by the registered holder, insert the name and capacity (e.g. executor) of the person making the acceptance. Any person making an acceptance on behalf of a registered holder should deliver evidence of his/her authority in accordance with the Terms and Conditions.

A company may execute this Acceptance Form under its seal, which should be affixed in accordance with its memorandum or articles of association or other regulations. In the case of execution by a company, execution should be expressed to be by the company and each person signing this Acceptance Form should state the office he/she holds under his/her signature. Please see the further notes on the Terms and Conditions.

Any custodian accepting the Offer on behalf of any holder of EIB Shares must sign Box 2 and complete the table set out in Box 4 in relation to the underlying investor details.

If you sign Box 2 without inserting "NO" in Box 3 you are deemed to have given the representations and warranties contained in paragraph 6 of the Terms and Conditions. This Acceptance Form must not be signed in a Restricted Jurisdiction.</td><td>EXECUTION BY INDIVIDUALS</td><td>EXECUTION BY A COMPANY</td></tr>
<tr><td>Signed by the registered shareholder:
....

If this acceptance form is being signed on behalf of a registered holder, insert name and addresses of the person making the acceptance.

Name........................
Address........................
Signature........................

Important: Each registered holder who is an individual must sign and print his/her name and address where indicated.</td><td>Executed by/under the common seal of the company:
Name........................
Capacity........................
Signature........................

Name........................
Capacity........................
Signature........................

....
Affix seal here

Investors represented by a custodian in the DFM
For all investors who hold EIB Shares via a custodian, please reach out to your custodian to accept the Offer on your behalf.
All custodians accepting the Offer on behalf of EIB Shareholders should execute this section and complete the details under Box 4 in relation to the underlying investor details.</td></tr>
</table>

3	**Persons in Restricted Jurisdictions**	**OVERSEAS SHAREHOLDERS**
	If you are unable to give the representations and warranties required by paragraph 6(c) of the Terms and Conditions confirming that: a) you have not received or sent copies or originals of the Offer Document, this Acceptance Form or any other documents relating to the Offer in, into or from a Restricted Jurisdiction; b) you have not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mail of or any means or instrumentality (including, without limitation, facsimile transmission, electronic mail or telephone) of interstate or foreign commerce, or any facilities of a national securities exchange, of a Restricted Jurisdiction at the time of the input and settlement of the relevant acceptance(s); and c) in respect of the EIB Shares to which this Acceptance Form relates, you are not an agent or fiduciary acting on a non-discretionary basis for a principal, unless you are an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction; and you are accepting the Offer from outside any such Restricted Jurisdiction, you must put "NO" in the box on the right. If you do not insert "NO" in the box on the right you will be deemed to have given such representations and warranties. If you insert "NO" in the box on the right, you may be deemed not to have validly accepted the Offer, notwithstanding that you may have purported to do so.	Please put "NO" in the box below if you are unable to give the representations and warranties set out in paragraph 6(c) of the Terms and Conditions. If you do not insert "NO" in the box below, you will be deemed to have given such representations and warranties.

4 — ACCEPTANCE BY CUSTODIANS ON BEHALF OF INVESTORS

DFM Investor Number	Investor Name	Account Number	Number of EIB Shares	Date acceptance instructions received by custodian

TERMS AND CONDITIONS FOR PHYSICAL ACCEPTANCE FORMS

in relation to the mandatory cash offer by Emirates NBD Bank P.J.S.C. to acquire up to 100% of the issued and paid up ordinary shares of Emirates Islamic Bank P.J.S.C. for cash consideration of AED 11.95 per Emirates Islamic Bank P.J.S.C share

Emirates NBD Bank P.J.S.C. currently owns 99.8923% of Emirates Islamic Bank P.J.S.C., and it is entitled to make a mandatory acquisition of the remaining 0.1077% in Emirates Islamic Bank P.J.S.C. in accordance with Article (11) of the M&A Rules, Article 299(2) of the Commercial Companies Law and Article (14 bis) of the Articles of Association

PROCEDURE FOR ACCEPTANCE OF THE OFFER

- Unless otherwise stated or defined in these Terms and Conditions, all terms used in these Terms and Conditions are the same as those used or defined in the Offer Document.

- To accept the Offer, use a physical Acceptance Form and follow the instructions and notes for guidance set out in these Terms and Conditions or submit an Electronic Acceptance Form available to EIB@EmiratesNBD.com.

- Holders of EIB Shares must either sign a physical Acceptance Form to accept the Offer or submit an Electronic Acceptance Form.

- Holders of EIB Shares cannot submit an Electronic Acceptance Form or an Acceptance Form in respect of EIB Shares which are pledged or subject to any form of security (including those EIB Shares subject to court order and/or in margin accounts of brokers). Prior to submit an Electronic Acceptance Form or an Acceptance Form in respect of EIB Shares which are pledged or subject to any form of security (including those EIB Shares subject to court order and/or in margin accounts of brokers) you must contact the bank, broker or any third party in whose favour the EIB Shares have been pledged or any other security or attachment (including court order) has been granted and obtain the release from such pledge or any other security or attachment.

- The information in these Terms and Conditions, together with the Offer Document, may help to answer queries you may have about the Acceptance Form and the procedure for responding to the Offer. Please read these Terms and Conditions and the Offer Document carefully before completing an Acceptance Form.

- Please return a physical Acceptance Form or submit an Electronic Acceptance Form, duly completed and signed as soon as possible and, in any event, so as to be received by hand or by electronic submission at EIB@EmiratesNBD.com to the Receiving Bank by no later than 3:00PM on 27 March 2025.

- The Offer is subject to the Condition Precedent set out in the Offer Document dated 27 February 2025.

If you have any questions relating to the procedure for acceptance of the Offer, please contact the Receiving Bank on +971 4 316 0050 between 9:00AM and 5:00PM from Monday to Friday. The Receiving Bank cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own independent financial advice immediately from your professional adviser or other independent financial adviser who is licensed by the UAE Securities and Commodities Authority (the "**SCA**").

The Offer Document (and copies of the Acceptance Form and of these Terms and Conditions) will be available on EIB's website at https://www.emiratesislamic.ae/en/tender-offer during the Offer Period.

The Offer is open for acceptance by EIB Shareholders starting from 27 February 2025, for those EIB Shareholders who are registered as such as at the close of trading of the EIB Shares on the DFM on 26 February 2025. The procedure for accepting the Offer is set out below. These Terms and Conditions should be read in conjunction with the Offer Document.

To accept the Offer, you must as soon as possible, (i) complete and return either the English language or the Arabic language version of a physical Acceptance Form in accordance with the instructions set out below, or (ii) submit an Electronic Acceptance Form, in either case as soon as possible but in any event so as to be received by electronic submission at EIB@EmiratesNBD.com or by hand to the Receiving Bank no later than 3:00PM on 27 March 2025. The list of branches of the Receiving Bank where EIB Shareholders may submit Acceptance Forms has been included in paragraph 7 below.

By completing and lodging a physical Acceptance Form or an Electronic Acceptance Form you agree that you may be blocked from trading by the DFM in respect of those EIB Shares for which you have accepted the Offer.

Following the Offer Closing Date, the Offeror may (in its discretion) continue to receive acceptances from EIB Shareholders who have not accepted the Offer by the Offer Closing Date.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD SEEK YOUR OWN PERSONAL INDEPENDENT FINANCIAL ADVICE IMMEDIATELY FROM YOUR PROFESSIONAL ADVISER OR OTHER APPROPRIATE INDEPENDENT FINANCIAL ADVISER WHO IS LICENSED BY SCA.

ACCEPTANCE FORMS AND COPIES OF THE OFFER DOCUMENT ARE AVAILABLE AT https://www.emiratesislamic.ae/en/tender-offer

In order to be effective, a physical Acceptance Form must, except as described below, be signed personally by the registered holder. A company may execute an Acceptance Form in accordance with its constitutional documents and applicable laws and regulations. By completing and signing an Acceptance Form, the relevant registered holder is deemed to accept the Offer in relation to the EIB Shares indicated on the Acceptance Form.

1. **If you have sold or transferred, or wish to sell or transfer, EIB Shares**

   If you have sold or otherwise transferred all of your EIB Shares (as applicable) please send the Offer Document together with the accompanying documents at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, the Offer Document is not being published or distributed, and should not be forwarded or transmitted in or into or to, any Restricted Jurisdiction. If you have sold or otherwise transferred part only of your holding of EIB Shares, you should retain these documents.

   By lodging either (i) an Electronic Acceptance Form or (ii) an Acceptance Form, you are authorising the Receiving Bank and the Dubai CSD to block the indicated EIB Shares until the date of payment of the consideration. If you transfer any or all of your EIB Shares to a third party after submitting either (i) an Electronic Acceptance Form or (ii) an Acceptance Form but prior to the EIB Shares being blocked, your Electronic Acceptance Form or Acceptance Form in respect of such transferred EIB Shares will be deemed invalid and you will not have accepted the Offer in respect of such transferred EIB Shares.

2. **If the sole shareholder has died**

   The personal representative(s) or the prospective personal representative(s) should approach Dubai CSD at the DFM as soon as possible to update the relevant DFM register and to transfer the EIB Shares from the name of the deceased investor to the relevant heir(s) before such heir(s) can accept the Offer. Once the DFM's register is updated, the personal representative(s) or prospective personal representative(s) should sign the Acceptance Form in accordance with its terms.

3. **If the Acceptance Form is signed under a power of attorney**

   The completed Acceptance Form must be accompanied by the original power of attorney (or a notarised (and, if applicable, a legalised and protocolised) copy thereof).

4. **If any of your EIB Shares are pledged or subject to any form of security (including those EIB Shares subject to court order and in margin accounts of brokers)**

   Prior to submit an Electronic Acceptance Form or an Acceptance Form in respect of EIB Shares which are pledged or subject to any form of security (including those EIB Shares subject to court order and/or in margin accounts of brokers) you must contact the bank, broker or any third party in whose favour the EIB Shares have been pledged or any other security or attachment (including court order) has been granted and obtain the release from such pledge or any other security or attachment.

5. **If you want to submit electronically**

   EIB Shareholders may submit an Electronic Acceptance Form electronically to EIB@EmiratesNBD.com. An Electronic Acceptance Form is effective upon submission to EIB@EmiratesNBD.com.

6. **Warranties**

   By signing the Acceptance Form, you (as an EIB Shareholder or on behalf of an EIB Shareholder) hereby accept all the undertakings, representations, warranties and agreements to and with the Offeror set out below (so as to bind him/her, his/her personal representatives, heirs, successors and assigns):

(a) that the acceptance shall constitute, in respect of the number of EIB Shares to which the relevant acceptance relates:

   (i) an acceptance of the Offer on and subject to the terms and conditions set out or referred to herein, in the Offer Document and the Acceptance Form;

   (ii) an undertaking to execute any further documents and give any further assurances which may be required to enable the Offeror to obtain the full benefits of the terms of the Offer Document and the Acceptance Form and/or to perfect any authorities expressed to be given thereunder (including, for the avoidance of doubt, any documentation required for the purposes of the Offeror's compliance with its "know your customer" requirements and procedures);

   (iii) a representation and warranty that you are the legal and / or beneficial owner of such EIB Shares or, if you are not, that you are irrevocably and unconditionally entitled to transfer such shares and that the entire beneficial interest therein will be acquired under the Offer; and

   (iv) if you are accepting this Offer on behalf of a registered holder(s), a representation and warranty that you are duly authorized by the registered holder(s) to accept this Offer on his/her behalf;

(b) that the EIB Shares in respect of which the Offer is accepted or deemed to be accepted are sold free from all liens, equities, charges, encumbrances, equitable interests, rights of pre-emption and other third party rights of any nature whatsoever and together with all rights attaching thereto from the record date and thereafter. Until Offer Closing Date, the EIB Shareholders shall retain voting rights and the right to receive and retain in full all dividends (if any) (but excluding extraordinary dividends and other distributions such as return of value (whether by reduction of share capital or share premium account or otherwise)) declared, made or paid in respect of the EIB Shares made, on or after the date of the Offer Document;

(c) that you have not received or sent copies or originals of this document or any other document relating to the Offer, in, into or from a Restricted Jurisdiction and you have not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mail of or any means or instrumentality (including, without limitation, facsimile transmission, electronic mail or telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, a Restricted Jurisdiction at the time of the input and settlement of the relevant acceptance(s); and in respect of the EIB Shares to which an acceptance relates, you are not an agent or fiduciary acting on a non-discretionary basis for a principal, unless you are an authorised employee of such principal or such principal has given all instructions with respect to the Offer from outside a Restricted Jurisdiction;

(d) that you have not taken or omitted to take any action which will or may result in the Offeror or any other person acting in breach of any legal or regulatory requirements of any territory in connection with the Offer or your acceptance thereof;

(e) that, if you accept the Offer, you will do all such acts and things in your control as shall be necessary or expedient to vest the aforesaid EIB Shares in the Offeror or its nominee(s) or such other persons as the Offeror may decide;

(f) that you agree to ratify each and every act or thing which may be done or effected by the Offeror or the directors of the Offeror or their respective agents, or EIB or its agents, as the case may be, in the exercise of any of your powers and/or authorities under this paragraph 6 in relation to your EIB Shares (as relevant);

(g) that you submit, in relation to all matters arising out of or in connection with the Offer and the acceptance, to the jurisdiction of the Courts of Dubai and you agree that nothing shall limit the rights of the Offeror to bring any action, suit or proceeding arising out of or in connection with the Offer and acceptance in any other matter permitted by law or in any court of competent jurisdiction;

(h) that if any part of this paragraph 6 shall be unenforceable or invalid or shall not operate so as to afford the Offeror or any director of the Offeror or their respective agents the benefit or authority expressed to be given therein, you shall with all practicable speed do all such acts and things and execute all such documents in your control that may be required to enable the Offeror and/or any director of the Offeror and/or any of their respective agents to secure the full benefits of this document and the Acceptance Form; and

(i) subject to the Offer becoming unconditional in all respects, that the execution of the Acceptance Form and its delivery constitutes the appointment of the Offeror as your agent or attorney with an instruction to the attorney to:

i. complete and execute all or any form(s) of transfer and/or other document in the attorney's discretion in relation to the EIB Shares referred to in paragraph 6(a) of these Terms and Conditions in favour of the Offeror or as the Offeror may direct;

ii. deliver such form(s) of transfer and/or other documentation at the attorney's discretion relating to such EIB Shares within six months of the Offer becoming unconditional in all respects; and

iii. execute all such other documents and do all such other acts and things as may in the opinion of the attorney be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer pursuant to the Acceptance Form and to vest the EIB Shares in the Offeror or as the Offeror may direct.

7. **Receiving Bank**

EIB Shareholders wishing to accept the Offer may submit a completed Acceptance Form to the below branches of the Receiving Bank.

Area	**Branch**	**Address**	**Timing**
Dubai	Deira Branch	Ground Floor, new Emirates NBD Building at Abra Rd, Deira, Dubai	Monday to Thursday (8:00 AM - 3:00 PM)
			Friday (8:00 AM - 12:00 PM)
			Saturday (8:00 AM - 3:00 PM)
Dubai	Jumeirah Branch	Emirates NBD Building, Al Wasl Rd Intersection, Umm Suquiem 3, Jumeirah, Dubai	Monday to Thursday (8:00 AM - 3:00 PM)
			Friday (8:00 AM – 3:00 PM)
			Saturday (8:00 AM - 3:00 PM)

Abu Dhabi	Abu Dhabi Main Branch	Ground Floor, Al Neem Building, Shaikh Khalifa street, Abu Dhabi	Monday to Thursday (8:00 AM - 3:00 PM)
			Friday (8:00 AM - 3:00 PM)
Ajman	Ajman Branch	Emirates NBD Building, Sheikh Rashid Bin Humaid St, Al Sawan, Ajman	Monday to Thursday (8:00 AM - 3:00 PM)
			Friday (8:00 AM - 12:00 PM)
			Saturday (8:00 AM - 3:00 PM)