Abu Dhabi Islamic Bank

Integrated Annual Report 2023

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ADIB مصرف أبوظبي الإسلامي

Reports and Consolidated Financial Statements for the Year Ended 31 December 2023

ABU DHABI ISLAMIC BANK PJSC

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

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

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

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

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

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

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

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

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

ABU DHABI ISLAMIC BANK PJSC

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

Board of Directors
The directors during the year were as follows:

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

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

23 January 2024
Abu Dhabi

Deloitte.

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Abu Dhabi Islamic Bank PJSC (the "Bank") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Akbar Ahmad (1141), Cynthia Corby (995), Fawzia Sohawon (5506), Firas Anabtawi (5482), Georges Najem (809), Jacob Hamad (1267), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Kumari Subramanian Sundar (5540), 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 ABU DHABI ISLAMIC BANK PJSC (continued)

Key Audit Matters (continued)

Impairment for financial assets measured at amortised cost – Estimation uncertainty with respect to impairment allowances for financial assets measured at amortised cost	
Key audit matter	**How our audit addressed the key audit matter**
The assessment of the Bank's determination of impairment allowances for financing assets measured at amortised cost requires management to make significant judgements over the staging and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality and the complexity of the judgements applied and assumptions and estimates used in the ECL models. As at 31 December 2023, gross financing assets measured at amortised cost amounted to AED 120.2 billion against which an allowance for impairment of AED 5.2 billion was recorded. Refer to Notes 17 and 18 to the consolidated financial statements for financing assets, Note 3 for the accounting policy, Note 3.4 for critical judgements and estimations used by management and Note 42 for the credit risk disclosure. ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Bank employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are defined in Note 42.2 to the consolidated financial statements.	We have obtained a detailed understanding of the financing origination process, credit risk management process and the estimation process of determining impairment allowances for financial assets measured at amortised cost and tested the design, implementation and operating effectiveness of relevant controls within these processes, which included testing: • System-based and manual controls over the timely recognition of impaired financing assets; • Controls over the ECL calculation models; • Controls over collateral valuation estimates; and • Controls over governance and approval process related to impairment provisions and ECL Models including continuous reassessment by the management. We understood and evaluated the soundness of the ECL models by involving our internal specialists to ensure its compliance with the requirements of IFRSs. We tested the mathematical integrity of the ECL model by performing recalculations on a sample of the financing assets measured at amortised cost and assessed the consistency of the various inputs and assumptions used by management to determine impairment. On a sample basis, we performed a detailed review of exposures and challenged the Banks's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions, such as estimated future cash flows, collateral valuations and estimates of recovery, underlying the impairment allowance calculation. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for the computation of impairment allowances for the financing assets measured at amortised cost.

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

Key Audit Matters (continued)

Impairment for financial assets measured at amortised cost – Estimation uncertainty with respect to impairment allowances for financial assets measured at amortised cost (continued)	
Key audit matter	**How our audit addressed the key audit matter**
The material portion of the non-retail portfolio of financing assets measured at amortised cost is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. There is the risk that management does not capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management bias may also be involved in manual staging override in accordance with the Bank's policies and the requirements of IFRS 9 Financial Instruments. There is also the risk that judgements, assumptions, estimates, proxies and practical expedients implemented previously, are not consistently applied throughout the current reporting period or there are any unjustified movements in management overlays. The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period and went through a validation process.	For financing assets measured at amortised cost not tested individually, we evaluated controls over the modelling process, including model monitoring, validation and approval. We tested controls over model outputs. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. We evaluated key assumptions such as thresholds used to determine SICR and forward looking macroeconomic scenarios. We verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances. We evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments. We further assessed the forward-looking information incorporated into the impairment calculations with the assistance of our internal specialists. We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Risk of inappropriate access or changes to information technology systems	
Key audit matter	**How our audit addressed the key audit matter**
The Bank is vitally dependent on its complex information technology environment for the reliability and continuity of its operations and financial reporting process due to the extensive volume and variety of transactions which are processed daily across the Bank's businesses; this includes cyber risks.	Our audit approach depends to a large extent on the effectiveness of automated and IT-dependent manual controls and therefore we updated our understanding of the Bank's IT-related control environment and identified IT applications, databases and operating systems that are relevant for the financial reporting process and to our audit.

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

Key Audit Matters (continued)

Risk of inappropriate access or changes to information technology systems	
Key audit matter	**How our audit addressed the key audit matter**
Inappropriate granting of or ineffective monitoring of access rights to IT systems therefore presents a risk to the accuracy of financial accounting and reporting. Appropriate IT controls are required to protect the Bank's IT infrastructure, data and applications, ensure transactions are processed correctly and limit the potential for fraud and error as a result of change to an application or underlying data. Unauthorised or extensive access rights cause a risk of intended or unintended manipulation of data that could have a material effect on the completeness and accuracy of financial statements. Therefore, we considered this area as a key audit matter. For further information on this key audit matter refer to Note 42 of the consolidated financial statements.	For relevant IT-dependent controls within the financial reporting process we identified, with the involvement of our internal IT specialists, supporting general IT controls and evaluated their design, implementation and operating effectiveness. We updated our understanding of applications relevant for financial reporting and tested key controls particularly in the area of access protection, integrity of system interfaces and linkage of such controls to the reliability, completeness and accuracy of financial reporting including computer-generated reports used in financial reporting. Our audit procedures covered, but were not limited to, the following areas relevant for financial reporting: • IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations; • Controls regarding initial access granted to IT systems for new employees or employees changing roles, whether that access was subject to appropriate screening and was approved by authorised persons; • Controls regarding removal of employee or former employee access rights within an appropriate period of time after having changed roles or leaving the Bank; • Controls regarding the appropriateness of system access rights for privileged or administrative authorisations (superuser) being subject to a restrictive authorisation assignment procedure and regular review thereof; • Password protection, security settings regarding modification of applications, databases and operating systems, the segregation of department and IT users and segregation of employees responsible for program development and those responsible for system operations; • Program developers approval rights in the modification process and their capability to carry out any modifications in the productive versions of applications, databases and operating systems; and • We performed journal entry testing as stipulated by International Standards on Auditing.

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ADIB مصرف أبوظبي الإسلامي

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

Other Information

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

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

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

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

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

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

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

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

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

Deloitte.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OFABU DHABI ISLAMIC BANK PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

Deloitte & Touche (M.E.)

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

ADIB مصرف أبوظبي الإسلامي

ABU DHABI ISLAMIC BANK PJSC

Consolidated income statement
for the year ended 31 December 2023

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

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

ABU DHABI ISLAMIC BANK PJSC

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

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

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

ABU DHABI ISLAMIC BANK PJSC

Consolidated statement of financial position
At 31 December 2023

	Notes	2023 AED '000	2022 AED '000
Assets			
Cash and balances with central banks	14	31,498,312	24,229,362
Balances and wakala deposits with Islamic banks and other financial institutions	15	7,373,806	2,921,094
Murabaha and mudaraba with financial institutions	16	3,930,130	4,519,436
Murabaha and other Islamic financing	17	67,044,317	62,023,422
Ijara financing	18	47,558,087	43,665,483
Investment in sukuk measured at amortised cost	19	18,881,549	14,370,291
Investments measured at fair value	20	5,601,452	3,061,994
Investment in associates and joint ventures	21	834,334	770,084
Investment properties	22	1,262,770	1,277,943
Development properties	23	722,940	713,701
Other assets	24	4,206,167	3,759,346
Property and equipment	25	2,797,990	2,904,973
Goodwill and intangibles	26	635,330	786,020
Total assets		192,827,192	168,517,091
Liabilities			
Due to financial institutions	27	2,555,004	2,834,242
Depositors' accounts	28	157,066,994	138,136,603
Other liabilities	29	5,126,576	4,085,576
Sukuk financing instrument	30	1,836,250	-
Total liabilities		166,584,824	145,056,421
Equity			
Share capital	31	3,632,000	3,632,000
Legal reserve	32	2,647,420	2,640,703
General reserve	32	3,431,547	2,975,819
Credit risk reserve	32	400,000	400,000
Retained earnings		11,358,406	8,642,231
Other reserves	34	(1,094,992)	(564,647)
Tier 1 sukuk	35	4,754,375	4,754,375
Equity attributable to the equity and Tier 1 sukuk holders of the Bank		25,128,756	22,480,502
Non-controlling interest	36	1,113,612	980,168
Total equity		26,242,368	23,460,670
Total liabilities and equity		192,827,192	168,517,091

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

H.E. Jawaan Awaidha Suhail Al Khaili
Chairman

Nasser Abdullah Al Awadhi
Group Chief Executive Officer

Mohamed Abdelbary
Group Chief Financial Officer

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

ABU DHABI ISLAMIC BANK PJSC

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

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

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

ADIB مصرف أبوظبي الإسلامي

ABU DHABI ISLAMIC BANK PJSC

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

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

Operating cash flows from profit on balances and wakala deposits with Islamic banks and other financial institutions, murabaha and mudaraba with financial institutions, customer financing, sukuk and customer deposits are as follows:

		2023	2022
Profit received		**9,248,577**	4,490,479
Profit paid to depositors		**2,828,445**	453,936

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

ABU DHABI ISLAMIC BANK PJSC

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

1 Legal status and principal activities

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

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

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

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

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

2 Definitions

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

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

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

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

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

ABU DHABI ISLAMIC BANK PJSC

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

2 Definitions (continued)

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

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

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

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

3 Basis of preparation

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

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

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

3 Basis of preparation (continued)

3.1 (c) Basis of consolidation

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

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

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

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

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

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

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

3.2 Changes in accounting policies

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

3 Basis of preparation (continued)

3.2 Changes in accounting policies (continued)

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

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

3.3 Standards issued but not yet effective

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

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (effective from January 1, 2024).
- Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (effective from 1 January 2024).
- Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 ' Investments in Associates and Joint Ventures' (Effective date deferred indefinitely, available for early adoption).

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

3 Basis of preparation (continued)

3.4 Significant judgements and estimates

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

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

IFRS 9: Financial instruments:

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

- Calculation of expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the year ended 31 December 2023 pertain to the changes introduced as a result of adoption of IFRS 9 (ECL): Financial instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

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

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

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

(i) The Group has established thresholds for significant increases in credit risk based on movement in Probability of Default (PD) as determined by the Obligator Risk Rating (ORR) relative to initial recognition as well as PD thresholds.

(ii) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

(iii) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

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

3 Basis of preparation (continued)

3.4 Significant judgements and estimates (continued)

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

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

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

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

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

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

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

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

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

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

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

3 Basis of preparation (continued)

3.4 Significant judgements and estimates (continued)

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

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

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

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

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

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

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

3 Basis of preparation (continued)

3.4 Significant judgements and estimates (continued)

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

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

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

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

Lease accounting under IFRS 16
The following are the critical judgments and estimates in the application of IFRS 16, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

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

4 Significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

Fee income is accounted for as follows:

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

The Group's customer financing comprises the following:
- Murabaha and other Islamic financing; and
- Ijara financing.

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

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

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

All other financial assets are subsequently measured at fair value.

4 Significant accounting policies (continued)

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

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

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

Financial assets at fair value through other comprehensive income ("FVTOCI")
At initial recognition, the Group can make an irrevocable election (on instrument-by-instrument basis) to designate investments in equity instruments as FVTOCI.

A financial asset is FVTPL if:

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

Financial instruments (continued)
Measurement (continued)
Financial assets at fair value through other comprehensive income ("FVTOCI") (continued)

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

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

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

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

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

Impairment assessment:
The Group assesses whether financial assets carried at amortised cost and carried at FVTOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the finance customer or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a financing by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the finance customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

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

4 Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

Renegotiated financing facilities

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

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

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

Purchased or originated credit impaired assets (POCI)

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

Covered card facilities

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

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

4 Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

Business combinations

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

Intangibles excluding banking license are amortised using the straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The rates of amortisation are based upon the following estimated useful lives:

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

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

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

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

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

4 Significant accounting policies (continued)

Investment in associates

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

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

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

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

Investment in joint ventures

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

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

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

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

Investment properties

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

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

Leases

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

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

Profit Rate Benchmark Reform

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

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

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

6 Income from investments measured at fair value

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

ABU DHABI ISLAMIC BANK PJSC

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

7 Fees and commission income, net

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

8 Income from investment properties

	2023 AED '000	2022 AED '000
Rental income (note 22)	**38,030**	36,716

9 Employees' costs

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

10 General and administrative expenses

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

11 Provision for impairment, net

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

12 Distribution to depositors and sukuk holders

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

13 Basic and diluted earnings per share

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

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

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

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

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

14 Cash and balances with central banks

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

14 Cash and balances with central banks (continued)

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

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

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

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

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

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

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

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

16 Murabaha and mudaraba with financial institutions

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

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

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

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

17 Murabaha and other Islamic financing

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

17 Murabaha and other Islamic financing (continued)

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

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

18 Ijara financing

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

The aggregate future lease receivables are as follows:

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

18 Ijara financing (continued)

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

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

19 Investment in sukuk measured at amortised cost

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

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

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

20 Investments measured at fair value

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

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

20 Investments measured at fair value (continued)

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

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

21 Investment in associates and joint ventures

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

	2023 AED '000	2022 AED '000
At 1 January	**791,240**	1,620,378
Share of results	**76,121**	224,591
Additions for the year	-	49,934
Dividends received	**(16,250)**	(15,572)
Movement due to business combination	-	(1,084,096)
Foreign currency translation	**(1,621)**	(3,995)
	849,490	791,240
Less: provision for impairment	**(15,156)**	(15,156)
At 31 December	**834,334**	776,084

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

	2023 AED '000	2022 AED '000
At 1 January	**15,156**	16,000
Reversals for the year	-	(844)
At 31 December	**15,156**	15,156

21 Investment in associates and joint ventures (continued)

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

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

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

22 Investment properties

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

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

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

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

22 Investment properties (continued)

The valuation methodologies considered by external valuers include:

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

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

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

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

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

23 Development properties

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

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

	2023 AED '000	2022 AED '000
Balance at 1 January and 31 December	**123,680**	123,680

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

All development properties are located in the UAE.

24 Other assets

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

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

25 Property and equipment

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

25 Property and equipment (continued)

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

26 Goodwill and intangibles

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

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

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

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

Impairment assessment of goodwill
Retail business - Barclays
No impairment losses on goodwill were recognised during the year ended 31 December 2023 (2022: Nil).

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

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

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

27 Due to financial institutions

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

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

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

28 Depositors' accounts

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

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

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

28 Depositors' accounts (continued)

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

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

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

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

29 Other liabilities

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

30 Sukuk financing instrument

	2023 AED '000	2022 AED '000
Sukuk financing instrument	**1,836,250**	-

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

Terms of arrangement

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

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

31 Share capital

	2023 AED '000	2022 AED '000
Authorised share capital:		
4,000,000 thousand (2022: 4,000,000 thousand) ordinary shares of AED 1 each (2022: AED 1 each)	**4,000,000**	4,000,000
Issued and fully paid share capital:		
3,632,000 thousand (2022: 3,632,000 thousand) ordinary shares of AED 1 each (2022: AED 1 each)	**3,632,000**	3,632,000

32 Reserves

32.1 Legal reserve

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

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

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

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

32.2 General reserve

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

32.3 Credit risk reserve

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

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

33 Dividend

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

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

34 Other reserves

	Cumulative changes in fair values AED '000	Land revaluation reserve AED '000	Foreign currency translation reserve AED '000	Hedging reserve AED '000	Impairment reserve - Specific AED '000	Impairment reserve - General AED '000	Others AED '000	Total AED '000
At 1 January 2022	(185,025)	137,400	(860,399)	(846)	255,839	398,405	-	(254,626)
Net movement in valuation of equity investment carried at FVTOCI	7,251	-	-	-	-	-	-	7,251
Net movement in valuation of investment in sukuk carried at FVTOCI	(285,907)	-	-	-	-	-	-	(285,907)
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	187	-	-	-	-	-	-	187
Exchange differences arising on translation of foreign operations	-	-	18,424	-	-	-	-	18,424
Gain on hedge of foreign operations	-	-	3,995	-	-	-	-	3,995
Fair value gain on cash flow hedges	-	-	-	846	-	-	-	846
Net movement in impairment reserve – Specific	-	-	-	-	64,261	-	-	64,261
Net movement in impairment reserve – General	-	-	-	-	-	(119,078)	-	(119,078)
At 1 January 2023	**(463,494)**	**137,400**	**(837,980)**	-	**320,100**	**279,327**	-	**(564,647)**
Net movement in valuation of equity investment carried at FVTOCI	**17,769**	-	-	-	-	-	-	**17,769**
Net movement in valuation of investment in sukuk carried at FVTOCI	**46,919**	-	-	-	-	-	-	**46,919**
Net fair value changes for investment in sukuk carried at FVTOCI released to income statement (note 6)	**3,608**	-	-	-	-	-	-	**3,608**
Loss on disposal of investments carried at FVTOCI	**5,215**	-	-	-	-	-	-	**5,215**
Exchange differences arising on translation of foreign operations	-	-	**(245,193)**	-	-	-	-	**(245,193)**
Loss on hedge of foreign operations	-	-	**(2,249)**	-	-	-	-	**(2,249)**
Fair value gain on cash flow hedges	-	-	-	**2,064**	-			**2,064**
Net movement in impairment reserve – Specific	-	-	-	-	**(112,427)**			**(112,427)**
Net movement in impairment reserve – General	-	-	-	-	-	**(235,631)**		**(235,631)**
Ner movement in other reserves	-	-	-	-	-	-	**(10,420)**	**(10,420)**
At 31 December 2023	**(389,983)**	**137,400**	**(1,085,422)**	**2,064**	**207,673**	**43,696**	**(10,420)**	**(1,094,992)**

35 Tier 1 sukuk

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

35 Tier 1 sukuk (continued)

Tier 1 sukuk – Listed (second issue)

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

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

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

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

Tier 1 sukuk – Listed (third issue)

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

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

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

35 Tier 1 sukuk (continued)

Tier 1 sukuk – Government of Abu Dhabi

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

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

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

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

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

36 Non-controlling interest

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

37 Contingent liabilities and commitments

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

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

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

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

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

38 Shari'a compliant alternatives of derivative financial instruments

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

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

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

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

39 Zakat

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

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

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

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

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

40 Cash and cash equivalents

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

41 Related party transactions

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

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

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

41 Related party transactions (continued)

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

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

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

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

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

42 Segment information

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

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

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

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

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

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

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

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

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

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

42 Segment information (continued)

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

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

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

	Global retail banking	Global wholesale banking	Private banking	Treasury	Real estate	Other operations	Associates & subsidiaries	Total
31 December 2023								
Segment revenues, net	3,889,039	1,987,403	(184,628)	1,830,902	137,546	200,569	1,432,771	9,293,602
Inter-segment revenues, net	1,037,429	(609,646)	438,989	(1,499,870)	-	633,098	-	-
Total Segment revenues, net	4,926,468	1,377,757	254,361	331,032	137,546	833,667	1,432,771	9,293,602

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

42 Segment information (continued)

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

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

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

	Global retail banking AED '000	Global wholesale banking AED '000	Private banking AED '000	Treasury AED '000	Real estate AED '000	Other operations AED '000	Associates & subsidiaries AED '000	Total AED '000
31 December 2022								
Segment revenues, net	3,138,119	1,326,107	75,623	1,011,156	62,330	480,004	741,747	6,835,086
Inter-segment revenues, net	402,302	(288,306)	97,393	(369,766)	-	158,377	-	-
Total Segment revenues, net	3,540,421	1,037,801	173,016	641,390	62,330	638,381	741,747	6,835,086

42 Segment information (continued)

Geographical information

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

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

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

43 Risk management

43.1 Introduction

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

43.1.1 Risk management governance structure

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

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

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

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

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

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

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

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

43 Risk management (continued)

43.1 Introduction (continued)

43.1.2 The Group Risk Management ("GRM")

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

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

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

43.1.3 Risk measurement and reporting systems

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

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

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

The Group actively uses collateral to reduce its credit risks.

43.1.4 The Group Credit Management ("GCM")

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

Credit Committee

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

43 Risk management (continued)

43.1 Introduction (continued)

43.1.5 Risk concentration

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

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

43.1.6 Group Internal Audit

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

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

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

43.2 Credit risk

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

Model risk management

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

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

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

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

Credit risk measurement

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

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

Credit risk grading

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

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

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

ECL measurement

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

43 Risk management (continued)

43.2 Credit risk (continued)

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

Expected Credit Loss (ECL) = PD*EAD*LGD
For each facility the Group calculates ECL over two forecast periods:

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

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

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

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

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

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

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

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

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, when it meets one or more of the following criteria:

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

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

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

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

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

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

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

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

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

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

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

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

Measuring ECL- Explanations of input, assumptions and estimation techniques continued
Exposure at Default (EAD):
The EAD is the amount which the Bank expects a customer to owe in the event of default. The EAD depends on the product type:

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

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

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

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

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

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

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

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

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

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

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

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

43.2.2 Credit risk concentration

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.2 Credit risk concentration (continued)

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

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

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.3 Impairment assessment

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

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

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

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

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

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

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

Write-off of financing assets

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

43.2.4 Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.4 Collateral and other credit enhancements (continued)

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

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

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

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

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

43.2.5 Credit quality per class of financial assets

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.5 Credit quality per class of financial assets (continued)

Gross Exposure by rating is as follows:

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.5 Credit quality per class of financial assets (continued)

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.5 Credit quality per class of financial assets (continued)

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

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

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.6 Credit quality per stage for financial assets

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

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.6 Credit quality per stage for financial assets (continued)

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

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for the year ended 31 December 2023 (continued)

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.6 Credit quality per stage for financial assets (continued)

Movement in gross exposure by stage is as follows:

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.6 Credit quality per stage for financial assets (continued)

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.6 Credit quality per stage for financial assets (continued)

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

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

43 Risk management (continued)

43.2 Credit risk (continued)

43.2.6 Credit quality per stage for financial assets (continued)

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

43 Risk management (continued)

43.2 Credit risk (continued)

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

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

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

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

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

43.3 Liquidity risk and funding management

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

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

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

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

43 Risk management (continued)

43.3 Liquidity risk and funding management (continued)

43.3.1 Treasury

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

43.3.2 Asset & Liability Committee ("ALCO")

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

43.3.3 Liquidity risk management process

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

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

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43 Risk management (continued)

43.3 Liquidity risk and funding management (continued)

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

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

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

43 Risk management (continued)

43.3 Liquidity risk and funding management (continued)

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

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

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

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

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

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

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

43 Risk management (continued)

43.4 Market risk

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

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

The trading market risk framework comprises of the following elements:

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

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

43.4.1 Profit rate risk

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

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

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

43 Risk management (continued)

43.4 Market risk (continued)

43.4.2 Currency risk

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

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

43 Risk management (continued)

43.4 Market risk (continued)

43.4.2 Currency risk (continued)

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

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

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

43 Risk management (continued)

43.4 Market risk (continued)

43.4.3 Equity price risk

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

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

	% Increase in market indices 2023	**Effect on profit or loss 2023 AED '000**	%Increase in market indices 2022	Effect on profit or loss 2022 AED '000
Investments carried at fair value through profit or loss				
Abu Dhabi Securities Exchange	10	**865**	10	-
Other markets	10	**2,531**	10	2,769

	% Increase in market indices 2023	**Effect on Equity 2023 AED '000**	%Increase in market indices 2022	Effect on equity 2022 AED '000
Investments carried at fair value through other comprehensive income				
Abu Dhabi Securities Exchange	**10**	**2,658**	10	2,959
Dubai Financial Market	**10**	**49**	10	37

43.4.4 Operational risk

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

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

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

43 Risk management (continued)

43.5 Capital management

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

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

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

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

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

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

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

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

43 Risk management (continued)

43.5 Capital management (continued)

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

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

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

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

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

44 Fair value of financial instruments

Fair value measurement recognized in the consolidated statement of financial position

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

Quoted market prices – Level 1

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

Valuation techniques using observable inputs – Level 2

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

Valuation techniques using significant unobservable inputs – Level 3

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

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

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

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

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

The valuation methodologies considered by valuers include:

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

44 Fair value of financial instruments (continued)

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

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

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

44 Fair value of financial instruments (continued)

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

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

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

44 Fair value of financial instruments (continued)

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

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

45 Social contributions

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

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

46 Profit rate benchmark reform

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

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

46 Profit rate benchmark reform (continued)

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

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

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

47 Business combination

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

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

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

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

47 Business combination (continued)

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

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

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

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

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

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

Annual Corporate Governance Report 2023

Introduction

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- Board of Directors Profile
- Board Evaluation for Effectiveness
- Corporate Governance Framework
- Three Lines of Defense Governance Model
- ADIB Governance Structure
- 2023 Board and Committees Agenda Priorities

Statement from the Chairman of the Board

On behalf of the Board of Directors, it's my pleasure to present ADIB's Corporate Governance Report for 2023. ADIB aims to be the "world's most innovative and trusted Islamic financial institution" and have committed to the following corporate values:

- Our values are timeless and universal, driven by the spirit of Shari'a
- Mutual benefit
- Transparency
- Simplicity & Sensibility
- Hospitality & Tolerance

In 2023, the Board's approach to stewardship was to review the business cycle to first protect our gains by building resilience and second to enhance long-term value for our shareholders, employees and all other stakeholders. The Board and its Committees met regularly and made tremendous progress towards long-term strategic objectives and generated insights for the future.

ADIB has embedded a robust corporate governance framework designed to retain the trust and confidence of its stakeholders as the Group expands and evolves within a rapidly changing external environment.

During 2023, ADIB implemented enhancements to the Board and Board Committees' structures to improve effectiveness in line with the guidance from the Central Bank of UAE (CBUAE) and based on the outcomes of the annual evaluations. In line with the evolving long-term strategy, the Board also approved the formation of a new committee, the Environmental, Social and Governance (ESG) Committee to oversee the Sustainable Finance and Responsible Banking initiatives.

To ensure continuing Directors' effectiveness, the Board also approved an annual awareness program incorporating blended modules across Islamic Banking, principal risks management, technology, human resources and regulatory developments.

During 2023, the Board provided strong leadership by deepening its oversight of Group Entities under the guidance of CBUAE. The subsidiary oversight framework for ADIB Egypt was enhanced during Q2, 2023 and later in Q3, 2023 to foster close collaboration and drive synergies.

The Board also approved of the nomination of new directors to reconstitute the boards of its subsidiaries and affiliates to infuse the various subsidiaries and affiliates boards with the requisite skills to oversee evolving strategy and to ensure alignment with the ADIB Board strategy and risk appetite.

Under the advice and guidance of CBUAE, the operations of ADIB International Branches were reviewed during 2023 and key decisions taken to rationalize operations in existing markets and to proceed with expansion plans in markets where ADIB's innovative and Shari'a-compliant products and services will give the Bank a competitive advantage to deliver returns to our investors.

During Q3, 2023 the Board renewed the core Corporate Governance Framework (CGF) suite of policies following the advice of an external law firm, benchmarking with international practices and after taking the guidance from the CBUAE 2023 thematic review of corporate governance. The renewed ADIB CGF suite of policies will provide a governance infrastructure for Group CEO and senior management team to execute the strategy for sustainable long-term growth.

The prudent and proactive investment by ADIB in people and technology/ digital banking have had a positive impact on our clients, customers and the society resulting in ADIB being recognized by various international respected rating agencies, publications and industry organizations.

The many accolades received by ADIB is testament to the tone set by the Board in the evolution of the corporate strategy and the effective execution by the senior executive management team and motivated staff, with the advisory oversight provided by the control functions.

As we look forward to the future, I would like to express my deep gratitude to my esteemed colleagues who serve with me on the Board, our external auditors and the Group CEO and his executive team and management committees for their committee met and dedicated stewardship in 2023.

H.E. Jawaan Awaidha Suhail Al Khaili
Chairman

ADIB Board of Directors

ADIB's Board comprises of seven non-executive directors, the majority being UAE Nationals who bring a wealth of experience, talent and subject matter expertise. The majority of directors are considered to be independent in line with best practice and CBUAE corporate governance regulations.

In 2023 the Board and its committees functioned at a more effective level than previously exceeding its operation in the previous year and overseeing significant progress towards long-term strategic objectives.

The Board and its committees' decision-making was facilitated by high quality management information submitted by management committees and senior management with independent assurance provided by external auditors. The Board also benefited from the guidance of its renowned subject matter experts during 2023.

The Group CEO, General Counsel, Group Chief Financial Officer, Group Chief Risk Officer, Head of Internal Audit, Head of Corporate Governance, Global Head of Compliance and Head of Internal Shari'a Audit Division and representatives from subsidiaries were among members of senior management team who attended various Board committees' meetings. The Board maintained close engagement with management while ensuring that there remained a clear demarcation in its role of oversight.

The Board Operates Six (6) Standing Committees

Nomination and Compensation Committee

Oversight of the Group's corporate culture and values, including compliance with regulatory requirements relating to corporate governance. Additionally, review of adequacy of Board and executive management, and succession planning.

Audit Committee

Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to financial reporting and the adequacy of the Internal Controls Framework which is assessed by External Auditors, Group Internal Audit, Group Compliance, and Internal Shari'a Audit Departments.

Risk Committee

Oversight and review of the Group's principal risk governance framework, assessment of capital adequacy against regulatory requirements and concentration risk in relation to its risk profile and business strategy. Furthermore, monitoring the management of Shari'a non-compliance risk, as well as oversight of data management, data privacy policies and consumer protection requirements.

Credit and Investment Committee

The Credit and Investment Committee considers and approves ADIB's risk exposures, high value transactions and major items of capital expenditure. In addition, this Committee is also responsible for monitoring credit portfolio quality and provisions.

Strategy Committee

The Strategy Committee guides ADIB's executive management in the execution of the Group's strategic objectives and business strategy within the limits of the Board Risk Appetite. The Committee also serves as a conduit between the Board and Senior Management on business issues.

Environment, Social and Governance Committee

The Environment, Social and Governance (ESG) Committee is newly formed and will oversee the execution of ADIB's Sustainable Financing initiatives.

Board of Directors in Numbers

7 Board members

100% Non-Executive Directors

57 Number of meetings held by the Board and its Committees

Gender Diversity at Board Level

One female director now serves as Directors on the Board

The ADIB Board has no Executive Directors

MALE 86%

FEMALE 14%

ADIB Board of Directors Profile

H.E. Jawaan Awaidha Suhail Al Khaili

Chairman
Non-Independent, Non-Executive Director

He joined ADIB in February 2008. He also serves as the Chairman of National Holding, Co-founder & Chairman of Emirates Link Group and Chairman of Ittihad International Investment.

Dr. Faisal Sultan Naser Salem Al Shuaibi

Vice Chairman
Independent, Non-Executive Director

He joined ADIB in March 2019. He currently holds the position of Director General of The Strategy and Performance Development General Directorate at Ministry of Interior. He holds a PhD in Application of Strategic Development in Government and Security Institutions (Balanced Scorecard).

Mr. Khalifa Matar Khalifa Qaroona Almheiri

Independent, Non-Executive Director

He joined ADIB in April 2016. He currently holds the position of Executive Director — Fixed Income Department at Abu Dhabi Investment Authority ("ADIA"). In addition, he is also Chairman of the Board of Directors for Abu Dhabi Islamic Bank — Egypt and Board member of ADIA (Hong Kong) Limited. He holds dual master's degree, one in Finance and other in Agriculture and Resource Economics. He is also a Chartered Financial Analyst (CFA) qualified. He joined ADIA (Abu Dhabi Investment Authority) in 1995 as a member of the Far East Department. From 1997 to 2007, he operated out of ADIA's London office, where his responsibilities included investment analysis, portfolio management and other managerial responsibilities. In 2008, Mr. Almheiri was promoted to the position of Executive Director of the Information Technology Department. In 2011, he was appointed Executive Director of the Alternative Investments Department.

ADIB Board of Directors Profile (continued)

Mr. Najib Youssef Fayyad

Non-Independent, Non-Executive Director

He joined ADIB in March 2019. He currently holds the position of Special Advisor to the Board of Directors at National Holding Group. In addition, he has over 25 years work experience serving in leadership roles including Chairmanship, CEO and Managing Director levels with various conglomerate groups in USA, Europe and MENA region.

Mr. Abdulla Ali Musleh Jumhour Al Ahbabi

Independent, Non-Executive Director

He joined ADIB in March 2019. He is a member of ADIA Audit Committee. Previously he was Chairman of the Abu Dhabi Water and Electricity Authority (ADWEA), acting undersecretary for Abu Dhabi Department of Finance, Assistant general secretariat and a member of the Executive committee of the Abu Dhabi Executive Council. He holds a Master's degree in Business Administration.

Mr. Abdul Wahab Al Halabi

Independent, Non-Executive Director

He joined ADIB in March 2022. He currently holds the position of Managing Director and Founder at Embassy Capital, also Partner at Decker & Halabi Limited. In addition, he is also Board member of Union Properties PJSC, Board member and Senior Advisor of Houlihan Lokey MEA, Board Member of Massaleh Investments PJSC and TPL Properties Limited. He holds an Executive Master's degree in Business Administration and a Bachelor's Degree from the London School of Economics.

Ms. Maha Mohammed Al Qattan

Independent, Non-Executive Director

She joined ADIB in March 2022. She currently holds the position of Chief People and Sustainability Officer at DP World. In addition, she is a member of the Board of Trustees at Unversité Panthéon Assas (France), Executive Board Member of DP World UAE Region (UAE) and Hindustan Ports Private Ltd (India), Non-Executive Board Member at SHUAA Capital psc (UAE). She holds a Master's degree in Industrial and Labor Relations from Cornell University.

Board Evaluation for Effectiveness

Board of Directors (Board) conducts periodic reviews to assess and measure its performance regularly against a set of established criteria in line with the Board Assessment Policy.

The annual evaluation was structured to assess the robustness of the corporate governance practices at the design level across five key pillars:

1. Board Structure and Practices
2. Strategy Plan and Performance
3. Governance and Internal Controls
4. Risk Management
5. Board Committees Structure and Practices

In line with the Board Assessment Policy, the periodic evaluation of the Board has identified some areas of good governance.

Pillar	Highlights of Good Governance Practices of ADIB Board
Board Structure and Practices	◦ The Board of Directors and its committees are very active and have met 57 times in 2023, more frequently than what is required by the ADIB articles of association and CBUAE. ◦ The Board charter has been developed and is well-articulated and sufficiently detailed. ◦ The Board has delegated oversight responsibility to the Board Committees for risk management, internal and external audit, compliance and internal controls. ◦ The Board's performance self evaluation was conducted least annually. ◦ A structured and detailed induction presentation is in place for new Board Members and ADIB representatives on the boards of its key subsidiaries and affiliates.
Strategy Plan and Performance	◦ The Board has established and approved a 5-year strategy, along with the bank objectives and initiatives.
Governance and Internal Controls	◦ A corporate governance framework is in place and was last updated during 2023 highlighting an overview on the current governance practices. ◦ Ethical policies, including code of ethics and standards of professional conduct, whistleblowing, insider trading, market abuse and insider dealing, conflict of interest, and personal-account-dealing are available, fostering sound governance principles in the day-to-day business activities. ◦ A compliance governance framework is in place to manage the compliance risks and how compliance with applicable laws and regulation is achieved and managed. ◦ The bank organization structure is established and covers all current sections, and positions within ADIB. ◦ A clear three lines of defense model is adopted by the bank providing structure around risk management and internal controls. It also defines roles and responsibilities in different areas and the relationship between those different areas.
Risk Management	◦ A risk management function is in place with clear reporting lines. ◦ A risk governance framework is in place outlining a set of principles, processes and organizational arrangements to ensure that risks are adequately managed within the bank appetite.
Board Committees Structure and Practices	◦ The Board has established (5) Board Committees, where each of them has a documented charter that is well-articulated and sufficiently detailed. ◦ 2023 committees' reports have been issued and shared with the Board. ◦ A consolidated Board Committees evaluation was performed covering the period of 2023.

1 Board Structure and Practices

Objectives:

- Board composition has the required capabilities and diversity to effectively govern the bank and as required by the regulator, where the membership of the Board has an appropriate mix of skills and knowledge.
- Board and Board members have clearly defined roles and responsibilities.
- The competence of the collective Board and of individual members is reviewed regularly and explores strategies for improvement.
- Board members take proactive individual and collective responsibility for ensuring their market knowledge, technical knowledge and professional skills.
- Board has the right tools to effectively manage any potential conflict of interest that might arise.

Assessment Summary:

- The Board and its committees are appropriate comprised of independent and NEDs and in line with the regulator requirements.
- The skills and experience of directors and the collective Board are appropriate with regards to the industry and the activities of the Bank.
- Board has clearly defined and articulated roles and responsibilities in a documented charter.
- A formal and rigorous process for the appointment of new Board members is documented and operational.
- An annual review of the effectiveness of the Board and its committees is completed and formalized in a report that is presented to the Board. Opportunities for enhancements are implementation and tracked.
- Ongoing training is in operation and aligned to performance evaluation results.
- An independent external assessment is undertaken on the Board every five years.
- Conflict-of-interest checks are in place and declarations are obtained from the Board members prior to each meeting against the defined agenda items.
- Agenda topics and information are focused and highlights the key risks and issues facing the bank. Minutes of meetings are recorded and approved by Board.
- A clear and monitored action log is in place with assigned senior management action owners.

2 Strategy Plan and Performance

Objectives:

- Board has clearly defined vision and reviews the bank's strategy, corporate goals and objectives.
- Short term plans are determined to meet long term strategic directions.
- Board specifically considers the risks and rewards of alternative strategies when making decisions.
- Board is provided with post-evaluation reviews on the execution of the strategy, corporate goals and objectives of the Bank on an ongoing basis.

Assessment Summary:

- The Board has developed a clear and documented vision and values statements which are communicated to the business periodically.
- Defined strategy and bank objectives and initiatives are in operation.
- Strategic business plan is developed to achieve the defined strategic objectives are developed and operating across the bank.
- Strategic proposals are structured with sufficient detail.
- Strategic initiatives implementation status is monitored and reported to the Board on a quarterly basis.

3 Governance and Internal Control

Objectives:

- Board is responsible for ensuring that information provided to them, in terms of form and content is appropriate, to fulfil its decision-making responsibilities (statutory, regulatory, corporate governance).
- Board approves senior management selection and ensures that a succession planning is in place.
- The Board ensures that the standards promoted by the code of ethics are deeply ingrained in the bank's culture.
- The defined structure properly illustrates the accountability, information flow, authority and distribution of responsibilities among the Bank.
- Internal controls processes are designed to help safeguard the Bank and minimize risks associated with the Bank objectives.

Assessment Summary:

- A corporate governance framework is embedded and is periodically updated from which delegations of authority are established.
- The bank's code of ethics is defined and communicated to all Board members and employees and reviewed on a periodic basis and published on the website.
- The bank meets all applicable recommendations of UAE voluntary code of best practices.
- The Board has a committee tasked to oversee the implementation of governance practices.
- Regular evaluation of overall effectiveness of the governance structure to identify, assess and improve compliance to relevant regulatory requirements.
- An organizational structure is in place that is approved by the Board and implemented across the bank.
- Board agendas and supporting materials are produced and circulated in a timely manner, allowing sufficient time for review.
- A rigorous fit and proper process for identifying and selecting candidates for the senior management.
- Senior management succession plan policy is defined and implemented on a short and long term.

4 Risk Management

Objectives:

- Board reviewed and approved the Bank's risk appetite and risk tolerance, policies and framework.
- Risks are independently reported to the Board, openly discussed and assessed holistically.

Assessment Summary:

- Established risk governance framework was approved by Board members and is operational, with clearly defined roles and responsibilities and clear reporting lines.
- Open communication exists between the management and the Board to escalate key risks and issues.
- A risk appetite has been agreed by the Board members, with periodic review.
- Key risk indicators are defined and measured on a regular basis.
- Risk framework and processes in operation are subject to periodic review.
- Key enterprise risks are properly and periodically reported to the Board.
- Risk is a standing item on the Board agenda.

5 Board Committees’ Structure and Practices

Objectives:

- Board’s committee structure covers all areas that the Board deems to require additional focus, in particular audit, risk, nominations and remuneration.
- Roles and responsibilities, reporting lines and escalation mechanisms for each committee are clearly defined.
- Board Committee regularly review its mandate and performance.

Assessment Summary:

- Board committees are defined covering all areas required by regulator, with the overall committee sufficient for the current bank’s activities, and the composition is in line with the regulatory requirements.
- Board committees have clearly defined roles and responsibilities documented in the respective charter.
- Reporting from the Board Committees to the Board is documented in the charter and is clear, informative and consistent and shared with the Board as per the defined frequency.
- Board committees' agendas and supporting materials are produced and shared with committee members ahead of the meeting.
- Information is focused and highlights the key risks and issues facing the bank, using both quantitative data and qualitative information.
- Minutes of meetings are recorded and formally approved by Committee members.
- Issues and risks from committees are sufficiently and timely escalated to the Board.
- Performance assessment is conducted on an annual basis for each Board committee against their roles and responsibilities along with action plan based on the performance evaluation results.

ADIB Corporate Governance Framework

ADIB has embedded a robust corporate governance framework in line with Central Bank of UAE Corporate Governance Regulations No. 83 / 2019 to support a resilient high performing and accountable culture to enable achievement of long term financial and franchise growth. The governance framework is implemented across the Group's entities to provide confidence to our stakeholders to continue investing in the institution. To promote collaboration and alignment, the governance framework is implemented by intra-group service level agreements, group-wide policies, delegation to management committees and effective representation on the boards of ADIB's subsidiaries and entities.

Components of ADIB Corporate Governance Framework

1. Board

The Board is responsible for setting the strategic direction and goals for an organization and to provide effective oversight management on the execution and achievement of those goals through the setting and monitoring of performance expectations.

2. Board Committees and Management Committee

The Board establishes committees to assist in discharging its responsibilities effectively and efficiently. Management Committees are responsible for ensuring good governance and that effective systems and processes are in place to shape, enable and oversee the management of ADIB.

3. Executive Management ("Management")

Management personnel are appointed by the Board/Committee to implement processes and to execute day to day affairs in accordance with the strategic direction, tone and expectations set by the Board.

4. Internal Audit

To provide a level of monitoring activity over risk and to support in the identification of process improvements and efficiency gains.

5. Risk Management

The Risk Management Framework establishes expected business practices for the effective identification, assessment and management of risk.

6. Compliance

To promote ethical conduct and compliance with rules, regulations and internal standards that govern how ADIB conducts its business.

7. Delegation of Authority

A delegation of authority is established to delegate the Board's authority and powers downward and to assist employees in understanding their authority to make decisions on behalf of the organization The above facilitates effective and accountable decision making and reduces ambiguity.

8. Code of Conduct

A code of conduct establishes a common understanding of the standards of behavior and values expected of all Board members and employees.

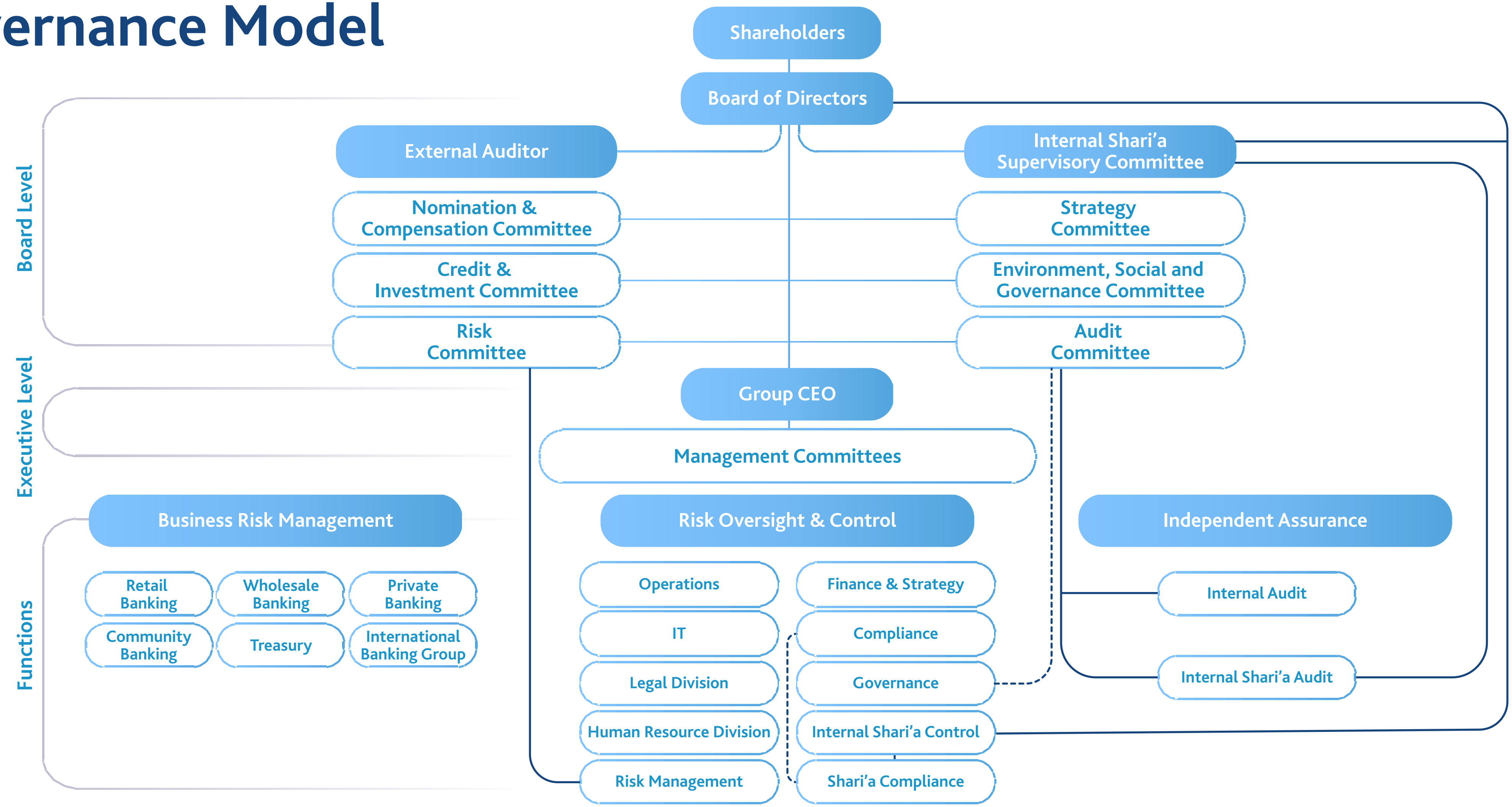
9. Policies and Guidelines

Policies and guidelines are established to allow ADIB employees to clearly understand their roles and responsibilities and to guide all major decisions making processes and actions within predefined limits.

10. Organizational Structure

ADIB structure should reflect the organization's main operational objectives and do so in a coherent way while at the same time being flexible enough to respond to changes in the ADIB's strategy or mission.

Three Lines of Defense Governance Model



Business Units undertake risks within assigned limits of risk exposure and are responsible and accountable for identifying, assessing and controlling the risks of their business.

First Line of Defence

Support and Control functions, in close relationship with business units, ensure that the risk in the business units have been appropriately identified and managed.

Second Line of Defence

Internal Audit function independently assesses the effectiveness of the processes created in the first and second lines of defence and provide assurance to these processes. Internal Shari'a Audit function conducts an independent review to provide assurance with respect to specific types of risks applicable to Islamic financial services.

Third Line of Defence

ADIB Governance Structure

* The Group Chief Risk Officer primarily report to the BRC and a secondary executive reporting line to the Group CEO.
** The Global Head of Compliance reports directly to the Group CEO and has direct access to the Group Audit Committee.

2023 Board and Committees Agenda Priorities

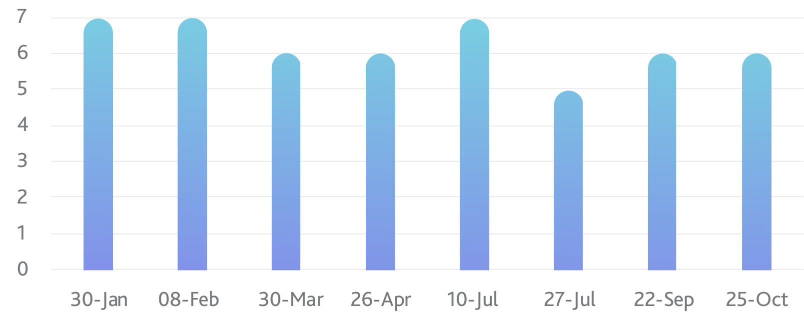
In 2023, Board and its committees convened 57 meetings to address the annual calendar of activities across risk governance, business and credit management, strategy, compensation, succession planning and internal control framework of the Group. Board and its committees worked assiduously to provide direction to senior management and set the tone for balanced approach to performance in line with the strategic objectives. The Board and its committees also invested significant effort to enhance their effectiveness. This was achieved by way of obtaining the guidance of the CBUAE, subject matter experts and the Group's, external auditors. The Board also demonstrated a willingness and capability to be kept fully informed in areas essential to making a significant contribution to overall board governance by attending awareness sessions.

The Strategy Committee operated effectively in 2023 to take the lead in the strategic planning process and to recommend to the Board key initiatives and policies to support the Board's role in formulating and reviewing the future direction of ADIB. The committee leaned on the expertise of external consultants to evaluate regional and international market opportunities which play to ADIB's strengths. Key outcomes of the committee's deliberations included the recommendation to form a Board ESG committee, advancement of the existing and successful digital banking strategy and approval of the execution plan for international expansion.

The Audit Committee provided assurance to the Board that the internal control framework was resilient to sustain the strategic objectives. Audit Committee commissioned independent reviews which resulted in enhancements to key controls. Furthermore, the Audit Committee obtained periodic management information, key performance indicators and key risk indicators from the control and support functions including Group Finance and Strategy, Group Internal Audit, Whistleblowing Committee, Internal Shari'a Audit and Corporate Governance Department. The Committee also reviewed Directors' policies, corporate governance framework and the corporate governance dashboard in discharging its role of oversight of the Group internal control framework.

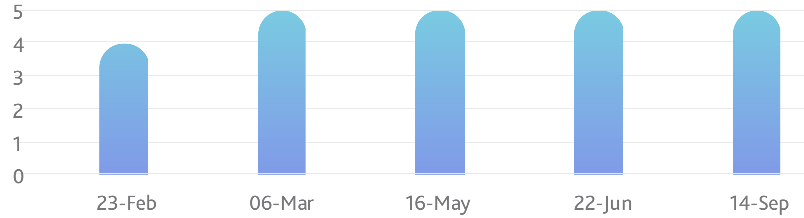
Board of Directors:

- Jawaan Al Khaili – Chairman
- Faisal Al Shuaibi – Vice Chairman
- Khalifa Al Mheiri – Member
- Abdulla Al Ahbabi – Member
- Najib Fayyad – Member
- Abdul Wahab Al Halabi – Member
- Maha Al Qattan – Member



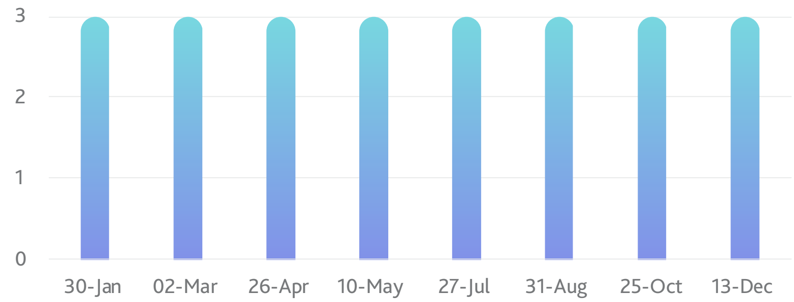
Members of Strategy Committee:

- Faisal Al Shuaibi – Chairman
- Najib Fayyad – Vice Chairman
- Abdul Wahab Al Halabi – Member
- Khalifa Al Mheiri – Member
- Maha Al Qattan - Member



Members of Audit Committee:

- Abdul Wahab Al Halabi – Chairman
- Abdulla Al Ahbabi – Member
- Najib Fayyad – Member



2023 Board and Committees Agenda Priorities

The Risk Committee reviewed the Bank's risk governance framework under the guidance of the CBUAE and its primary Regulations and Standard 153 /2018. The principal risk framework was enhanced to include environmental, social and governance (ESG) risks. As a result, the Board approved the formation of the ESG Board and management committee to oversee management of this new pillar. Linked to the Risk Management Regulations, and significantly relevant to ADIB, is the CBUAE Standard re-profit equalization for Islamic Banks and upon which the Risk Committee formed a Profit Equalization subcommittee to fully comply with CBUAE requirements. The Risk Committee also worked closely with the Audit Committee and the Credit Investment Committee to oversee the effective operationalization of credit risk management across the Group in line with CBUAE and Basel standards.

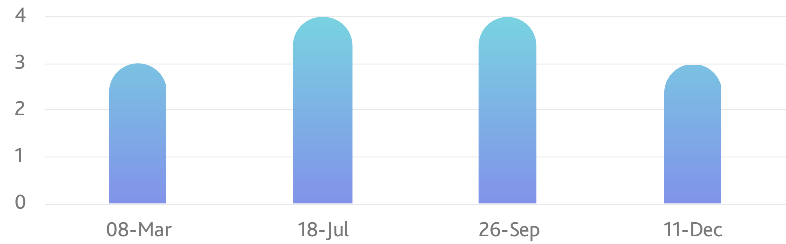
In 2023, the Nomination and Compensation Committee reviewed and approved the Group HR Policy which sets out the framework for a high performing culture. Key updates to the framework included the provisions for retaining high potential UAE nationals, structures for material risk takers, compensation for control functions and discretionary bonus structures with claw back.

The Nomination and Compensation Committee also recommended to the Board as part of its succession planning role senior ADIB executives to represent ADIB on the boards of Group subsidiaries and affiliates.

The Credit and Investment Committee was the most active of all the Board committees owing to its pivotal role in overseeing the credit management function and oversight of related party transactions and credit portfolio quality. Through the Committee, the Bank was able to meet key objectives while reinforcing the tolerances set in the Board-approved risk appetite in line with CBUAE risk credit risk management requirements for retail and corporate lending. The Credit and Investment Committee also approved significant strategic investments required for ADIB to remain agile and maintain its competitive advantage within a competitive market.

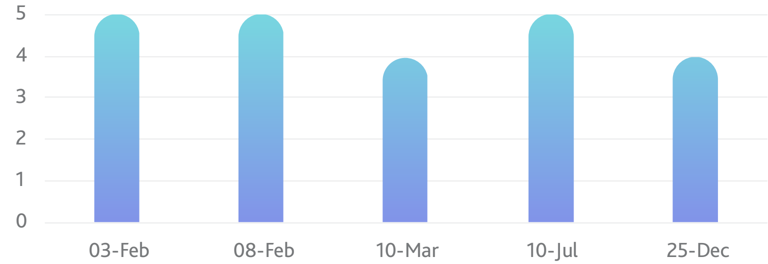
Members of Risk Committee:

- Khalifa Al Mheiri – Chairman
- Abdul Wahab Al Halabi – Member
- Faisal Al Shuaibi– Member
- Najib Fayyad – Member



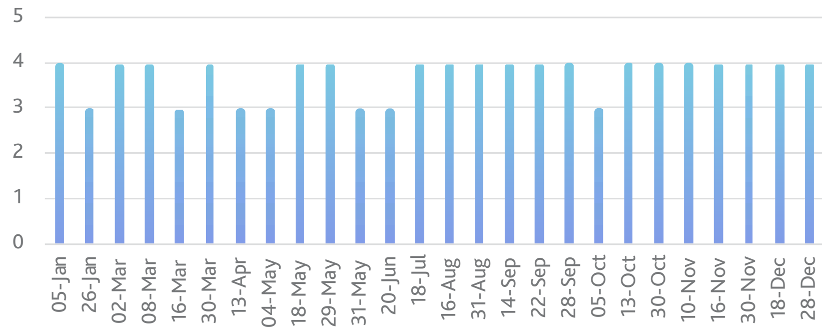
Members of Nomination & Compensation Committee:

- Jawaan Al Khaili – Chairman
- Faisal Al Shuaibi– Member
- Khalifa Al Mheiri – Member
- Maha Al Qattan – Member
- Najib Fayyad – Member



Members of Credit & Investment Committee:

- Jawaan Al Khaili – Chairman
- Khalifa Al Mheiri – Member
- Abdulla Al Ahbabi – Member
- Abdul Wahab Al Halabi – Member
- Najib Fayyad – Member



ADIB Board Governance

- ADIB Board Duties and Responsibilities
- Board Awareness and Training
- Director’s Independence and Succession Planning
- Oversight of Group Entities, Strategic Investments
- Board Oversight of Principal Risks
- ADIB Board Remuneration and interests in ADIB Shares
- Statement on Disclosure and Transparency to the Market
- Relations with Shareholders
- ADIB Share Ownership

ADIB Board Duties and Responsibilities

The Board of Directors are Responsible for:

01. The Board's role is to encourage the entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The consistent practice of high ethical standards will enhance the credibility and trustworthiness of the Group.

02. The Board of Directors will provide effective governance over the Group's affairs for the benefit of its Shareholders, and to balance the interests of its diverse constituents, including its customers, employees, suppliers, regulators, local communities, and others. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Group and to comply with relevant laws, regulations, rules, and best banking practices. In discharging that obligation, Directors may rely on the honesty and integrity of the Group's senior executives and its outside advisors and auditors.

03. The Board is responsible for strategic direction, management supervision and adequate controls with the ultimate objective of promoting the success and long-term value of the Group. The Board must ensure that management balances the promotion of long-term growth with the delivery of short-term objectives. The Board will review the Group's long-term strategic plans and the principal issues that it expects the Group may face in the future during at least one Board meeting each year.

04. The Board should be clear about the Group's purpose and set its values and ethical standards and ensure that management behaves with integrity and that the Group's obligations to its Shareholders and other stakeholders such as customers, employees, suppliers, regulators, local communities and others are understood and met. The Board of Directors will approve and oversee the Group's strategic objectives and corporate values that are communicated throughout the Group.

05. The Board will determine the corporate governance guidelines for the way in which it wants the Group to be managed and controlled and will review and approve the corporate governance framework of the Group. In addition, the Board will establish a mechanism for monitoring Shari'a Compliance within the Group.

06. The Board will ensure that there are policies and procedures to identify, avoid or manage and appropriately disclose potential conflicts of interest. Such policies will include lending to Directors and Staff of the Group, and transactions and other contractual relations between related companies or other counterparties such as Shareholders or Directors. Ultimately, the Board will seek to ensure that activities that might give rise to conflicts of interest are carried out with a sufficient degree of independence from each other. Conflicts between the personal interests of Directors and those of the Group or its customers will also be identified, managed and disclosed.

07. The Board will have disclosure policies with an aim to ensure the fair and timely release of material information to the market and that such information is accurate, not misleading, complete and in line with the regulatory requirements. In addition, the Board will ensure that there are policies in place that require significant information that could affect the price of its securities or an investor's decision to buy, sell or hold those securities to be disclosed promptly to the market authorities and placed on the Bank's website.

08. The Board of Directors must ensure that the Group has robust corporate governance polices and processes commensurate with its risk profile and systemic importance. The Board must also establish, review and monitor the effectiveness of the Group's processes for corporate governance in accordance with the applicable regulations and best international practices, with due regard to the Group's Stakeholders and its role in the community.

09. The Board must ensure to maintain a clear governance framework appropriate to the Group's operational structure and the risk that it poses. The Board must also approve policies for the delegation of authority and the actual delegations to executives, particularly in respect of the financial and administrative affairs of the Group.

10. The Board must determine the nature and extent of the significant risks it is willing to undertake to achieve the strategic objectives of the Group. The Board would develop and monitor the Group's risk appetite statement, risk policies, risk limits, and ensure adherence to them.

11. The Board of Directors must ensure that the Group is in full compliance with Shari'a rules and must establish a sound and effective Shari'a governance framework with the key mechanisms and functionalities to ensure effective and independent Shari'a oversight as per the requirements set out by the Central Bank and / or the Higher Shari'a Authority. The expected Shari'a governance framework is expected to incorporate three lines of defences approach comprising the business line, the support and control functions and internal Shari'a audit function.

12. The Board must ensure that adequate resources are dedicated and provided to meet the objectives of Shari'a compliance and Shari'a governance.

13. The Board in coordination with the Internal Shari'a Supervisory Committee, ensure the development, approval and implementation of internal policies related to the Group compliance with Islamic Shari'a. Further, the Board shall also develop a performance assessment plan on the Internal Shari'a Supervisory Committee.

14. The Board must maintain effective communication with the Internal Shari'a Supervisory Committee and ensure that meetings with the committee are held at least one meeting per financial year.

ADIB Board Duties and Responsibilities

The Board of Directors are Responsible for:

15. The Board must refer to the Internal Shari'a Supervisory Committee for all Shari'a matters related to the Group activities, operations and code of conduct.

16. The Board must ensure that the annual Shari'a report issued by the Internal Shari'a Supervisory Committee is submitted to the Higher Shari'a Authority for review and approval before sharing it with the shareholders at the general assembly.

17. The Board is responsible to nominate the members of the Internal Shari'a Supervisory Committee and obtain the Higher Shari'a Authority's approval on such members prior to presenting the nomination to the general assembly.

18. If a position of the Internal Shari'a Supervisory Committee member becomes vacant, the Board shall nominate / appoint a substitute member either in case such appointment will be approved by the general assembly or not.

19. The Board shall be responsible to appoint the Shari'a Controller (head of Internal Shari'a Audit Division) as required under the Shari'a Governance Standards as well as the head of Internal Shari'a Control Division.

20. The Board is responsible to set out a process to follow up of previous action points and reporting of any breach or failure to comply. Following up on action points would help prevent any delay and manage the affairs on time.

21. Conduct Risk Oversight: The Board is overall responsible to define, set out strategies, manage and play an active role to ensure that the relevant committees in general and the Risk Committee in particular have developed systems and procedures in place to identify and manage the conduct of the business across the Group. As part of its conduct risk supervision strategy, the Board will oversee the Risk Committee to make sure that the following strategic goals are achieved:

a. To take proactive steps to identify the conduct risks inherent within the business;

b. To encourage the individuals who work in front, middle, back office, control and support functions to feel and be responsible for managing the conduct of the business;

c. To provide the necessary support (broadly defined) to enable the staff to improve the conduct of the business or functions; and

d. To assess whether there are any other activities that should be undertaken and that could undermine strategies put in place to improve conduct.

In addition , the Board shall ensure in relation to the conduct risk oversight that:

i. To hold the senior management accountable for conduct risk failings and accordingly, to encourage the establishment of strong conduct risk framework as an important tool in protecting senior management from any relevant liability;

ii. The Risk Committee to define the conduct risks that the Group is exposed to, such as, insider dealing, conflicts of interest, product design or miss-selling, etc.;

iii. The Risk Committee shall have controls in place to monitor and mitigate the conduct risk on an on-going basis;

iv. The Risk Committee shall ensure that a gap analysis should be conducted to assess any additional controls that need to be put in place;

v. The Risk Committee shall carry out any changes that need to be made within the Group from a cultural/values perspective and ensure that it is tracked;

vi. A clear relationship between conduct risk and business strategy should be established;

vii. The Group should be able to demonstrate/evidence how conduct risk matters are driving business strategy and decision making; and

viii. Clear lines of responsibility and accountability for conduct risk should be established including reporting line to relevant senior manager if not him/herself is a senior manager.

Board Awareness and Training

- During 2023, the Board demonstrated a willingness and capability to be kept fully informed in areas essential to making a significant contribution to overall board governance by attending awareness sessions.
- The Program was designed on an assessment of external environment including corporate governance trends, regulator focus mapped against ADIB's Group structure and strategy. Sessions may be delivered by external consultants' presentations and during committee meetings, Corporate Governance Department provided Directors' Induction Packs to new Directors on the Boards of subsidiaries and affiliates.

Core Board Training & Awareness Modules

Directors' Induction (New Directors including Boards of Group Entities)

01	Mergers, Acquisitions and Integration and Group Oversight of Subsidiaries and Affiliates
02	Principal Risks Management
03	International Financial Reporting Standards (IFRS)
04	Financial Crime & Regulatory Compliance
05	Shari'a Governance Standards
06	Understanding ESG Risk
07	Global Macroeconomic Uncertainty and Trends – Inflation and Recession

The Corporate Governance Training Plan is delivered annually and will be refreshed to reflect any changes in regulations, industry best practices and Board Risk Appetite

Directors' Independence and Succession Planning

The majority of ADIB's directors are considered independent in line with best practice and regulatory requirements. To enable the Board to discharge its duties and responsibilities, ADIB has in place a Directors' Independence Guideline.

ADIB has a succession planning process and the Board acted swiftly to appoint representatives on the boards of Group Entities whenever a vacancy arose during 2023.

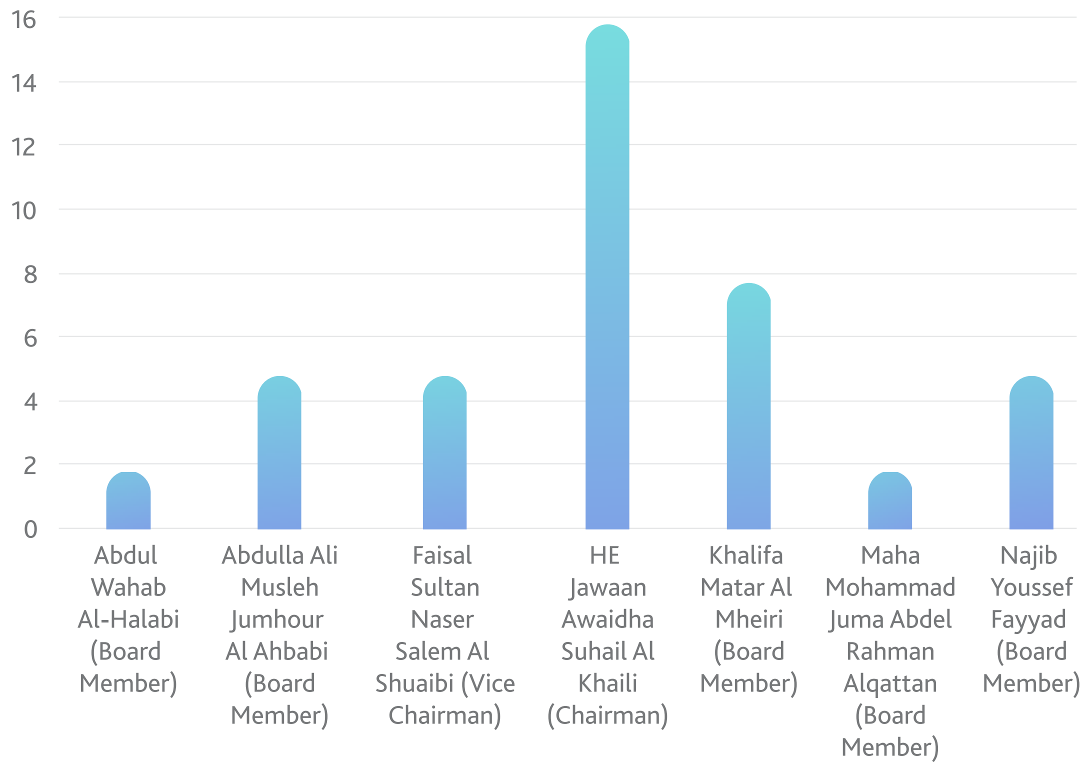
Access and Reporting to the Board Committees

The Group Chief Internal Auditor reports to the Audit Committee. The Group Chief Financial Officer (GCFO) and Global Head of Compliance report to the Group Chief Executive Officer (GCEO) and have access to the Board Audit Committee. The Group Chief Risk Officer primarily reports to the Board Risk Committee and a secondary executive reporting line to the GCEO. The Group Chief Credit Officer reports to the GCEO and has access to the Board Risk Committee.

Access and Reporting to the Board Committees

The roles of the Chairman and the Group Chief Executive Officer are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all directors. The Group Chief Executive Officer has responsibility for all ADIB Group businesses, including their strategy, policy and operational management, and he acts in accordance with the authority delegated by the Board.

ADIB Board of Directors Tenure



Note: According to the Central Bank of the UAE's Corporate Governance regulation and standards, a Board director is categorised as non-independent when the length of tenure exceeds 12 years.

Oversight of Group Entities and Strategic Investments

During 2023, the Board effectively discharged its oversight responsibilities over the ADIB Group Entities including International Branches, Subsidiaries and Affiliates.

Board ensured that there was adequate primary oversight through the timely approval of nominations of ADIB representatives on the boards of group entities. The ADIB representatives have an important responsibility to ensure alignment and report to ADIB head office via the Group Chief Executive Officer (GCEO) for onward reporting to the Board.

Board also delegated the responsibility to the GCEO to enable the respective management committees and Group Heads who oversee principal risks and business, to implement secondary oversight of the activities of subsidiaries and affiliates through appropriate oversight mechanisms, including joint steering committees, service level agreements, oversight framework agreements and mutual attendance at management committee meetings.

A key aspect of the subsidiary and affiliate governance framework is alignment of subsidiary/ affiliate boards with ADIB Board's risk appetite and strategy.

The following is a list of Group Entities including International Branches, UAE and international subsidiaries and affiliates:

Subsidiaries and Joint Venture	Ownership Interest	Country	Principal Activities
Abu Dhabi Islamic Bank – Egypt (S.A.E)	53.2%	Egypt	Islamic Banking
MPM Properties LLC	100%	United Arab Emirates	Real Estate Property Management and Advisory Service
Kawader Services Company LLC	100%	United Arab Emirates	Manpower supply
Burooj Properties LLC	100%	United Arab Emirates	Real Estate Property Management and Advisory Service
Abu Dhabi Islamic Securities Company LLC	95%	United Arab Emirates	Agent in Trading of Financial Instruments and Stocks
Abu Dhabi Islamic Merchant Acquiring Company LLC	51%	United Arab Emirates	Merchant Acquiring
ADIB Capital Limited –DIFC	100%	United Arab Emirates	Advisory and Investments
ADIB Invest 1	100%	BVI	Equity Brokerage Services
Saudi Finance Company CSJC	51%	Kingdom of Saudi Arabia	Islamic Retail Finance
Affiliates	**Ownership Interest**	**Country**	**Principal Activities**
Abu Dhabi National Takaful PJSC	42%	United Arab Emirates	Islamic Insurance
The Residential REIT (IC) Limited	30%	United Arab Emirates	Real Estate Fund
Bosna Bank International D.D	27%	Bosnia	Islamic Banking
International Branches	**Ownership Interest**	**Country**	**Principal Activities**
ADIB Iraq	100%	Iraq	Islamic Banking
ADIB Qatar	100%	Qatar	Islamic Banking
ADIB Sudan	100%	Sudan	Islamic Banking
Abu Dhabi Al Islami (UK)	100%	United Kingdom	Commercial Real Estate Financing

Oversight of Group Entities and Strategic Investments - ADIB Representatives on Boards

Group CEO
Nasser Al Awadhi

Abu Dhabi Islamic Bank Board of Directors

Chairman
H.E. Jawaan Al Khaili

Vice Chairman
Faisal Al Shuaibi

Khalifa Al Mheiri

Abdulla Al Ahbabi

Najib Fayyad

Abdul Wahab Al Halabi

Maha Al Qattan

Subsidiaries and International Branches

ADIB Egypt

Khalifa Almheiri - Non-Executive Chairman
Bassam El Hage - Non-Executive Member
Mohammed Aly - Executive Member

Abu Dhabi Islamic Merchant Acquiring Company LLC

Amit Malhotra - Chairman
Bino Abraham Thomas - Member
Venkatesh Srikantan - Member

ADIB Securities Limited

Amit Malhotra - Chairman
Amer Alameri - Vice Chairman
Sultan Al Marzouqi - Member

MPM Properties

Khalid AlMansoori - Executive Chairman
Mohamed Abdelbary - Vice Chairman
Bushrah Abdullah Alshehhi - Member
Omar Mohamed Shariff - Member
Mohammed Ali Al Fahim - Member

Burooj Properties

Mohammed Ali Al Fahim - Chairman
Mohamed Abdelbary - Vice Chairman
Dr. Ghaith Mismar - Member
Khalid Ali Al Mansoori - Member
Abdulla Al Attar - Member

ADIB Capital Limited - DIFC

Najib Fayyad - Chairman
Mohamed Abdelbary - Member
Bassam El Hage - Member
Amit Malhotra - Member

Kawader Services

Bushrah Abdullah Alshehhi - Chairman
Mohamed Abdelbary - Member
Fahad Alkhoori - Member

International Banking Branches

ADIB Qatar
ADIB Iraq
ADIB Sudan
Abu Dhabi Al Islami (UK)

Affiliates

Abu Dhabi National Takaful

Khaled AlMansouri - Non-Executive Member
Meitha Alhashemi - Non-Executive Member
Abdulla Al Shehhi - Non-Executive Member

Bosna Bank International

Abdulla Al Shehhi - Vice Chairman

The Residential REIT (IC) Limited

Abdulla Al Shehhi - Investment Board

Joint Venture and Strategic Investments

Saudi Finance Company

Abdulla Ali AL Ahbabi - Vice Chairman
Abdulla Al Shehhi - Member
Ibrahim Al Mansoori - Independent Member
Abdulrahman AlAnqari-Independent Member

Emirates Digital Wallet

Amit Malhotra - Director
Bino Abraham Thomas - Alternate Director

Board Oversight of Principal Risks

Board Oversight or Risk Management

The Board has delegated authority to the Risk Committee for oversight of Principal Risks monitoring and to provide guidance on risk tolerance during the development and execution of new strategic initiatives across the ADIB Group Entities. In 2023, the Risk Committee monitored the consistent application of risk standards to ensure alignment with the requirements of the CBUAE across the ADIB Group.

During 2023, the Risk Committee received periodic reports on stress testing through the Senior Management Enterprise Risk Committee to demonstrate resilience in compliance with the Group's risk appetite in a range of scenarios.

The Risk Committee also monitored the risk management systems and overall framework to ensure sustainability for expansion based on the approved five-year strategy.

ADIB's Risk Management Framework is managed by the Group Chief Risk Officer (GCRO) who reports primarily to the Risk Committee and is also a member of the Enterprise Risk Committee, responsible for the management of all risks including Credit, Market and Operational risks.

Board Oversight Financial Reporting, Internal Controls, Governance and Compliance

The Board ensures the integrity and transparency of ADIB's financial reporting and disclosures through the oversight work of the Board Audit Committee and the independent input of ADIB's External Auditors Deloitte. Board Audit Committee also has permanent access to a subject matter expert.

Group Internal Audit (GIA) and External Auditors presented to the Group Audit Committee reports with details of effective internal controls and any material financial reporting or internal control matters identified during 2023.

The Audit Committee received presentations during its 2023 quarterly scheduled meetings to assess financial reporting including IFRS governance, coverage of the Group Internal Audit Plan, performance and independence of the Compliance Function, Corporate Governance Department embedding of the governance framework and the results of Internal Shari'a Audit Department reviews.

Board Oversight of Conflicts of Interest

ADIB has a Directors conflicts of interest policy under which director connected transactions or related party transactions in which directors may have a potential interest is declared beforehand. ADIB has in place robust recusal practices to ensure interested parties do not participate in deliberations or decision on relevant matters.

External Auditors

ADIB has a Policy for the engagement of its external auditors including assessment and rotation. The shareholders approved the appointment of Deloitte as the external auditors of ADIB for 2023 at the General Assembly Meeting. The Audit Committee reviews the quality, performance and independence of Deloitte annually and recommends reappointment to the Board after considering whether this is in the best interest of ADIB.

Board Oversight of Related Party Transactions

During the 2023 business cycle the Board approved significant transactions with related parties including the Group Entities', entities with connections to directors and senior executive management on the recommendation of the Credit and Investment Committee, in line with established policy and procedures. The transactions are disclosed in the consolidated financial report.

Board Oversight of Remuneration

During 2023, the Board approved the recommendations of the Nomination and Compensation Committee on updates to the Group HR Policy which governs the ADIB compensation framework. Furthermore, all requirements under Basel 3 Pillar Reporting and CBUAE Corporate Governance Regulation No. 83/2019 regarding senior management compensation (Material Risk Takers) and Control Functions were updated in the Group HR Policy.

ADIB Board Remuneration and Interests in ADIB Shares

ADIB Board Remuneration

During 2023, AED 16,100 Mn was paid out to Board of Directors as directors' remuneration pertaining to the year ended 31 December 2022, following the approval by shareholders in the Annual General Assembly held on 6th March 2023. Board members remuneration also include an Attendance Allowance AED 3,000 for each Board Committee meeting attended.

Directors' interests in ADIB Group's shares.
Directors' interests in the Group's shares are as follows, as of 31 December 2023:




Director Name	H.E Jawaan Awaidha Suhail Al Khaili	Faisal Sultan Naser Salem Al Shuaibi	Khalifa Matar Al Mheiri	Najib Youssef Fayyad
No. of Shares In ADIB	64,158,605	-	257,381	-
ADX Investor Number	UAE151002034803	UAE101004212603	UAE101004833803	784196630248761



Director Name	Abdulla Ali Musleh Jumhour Al Ahbabi	Abdul Wahab Al-Halabi	Maha Mohammad Juma Abdel Rahman Alqattan
No. of Shares In ADIB	-	-	-
ADX Investor Number	UAE151001076703	784197425173255	784198452859683

Statement on Disclosure and Transparency to the Market

During 2023, ADIB demonstrated the highest standards of transparency with timely disclosures and communication to all our stakeholders through various channels on relevant financial and non-financial information. ADIB employees were kept informed of all relevant matters and senior management formed various forums to engage employees to share information and address concerns.

Relations with Shareholders

In 2023, relevant financial and non-financial information was communicated to shareholders, customers, regulators, employees and other stakeholders in a timely fashion through ADIB's website, via Abu Dhabi Securities Market (ADX) and Press Releases. ADIB also communicated with shareholders through the Annual Report and by providing information at the General Assembly Meeting where shareholders were given the opportunity to ask questions. ADIB Investor Relations team through its website that provides extensive information about the Group's financial performance, Corporate Governance Framework and other related information.

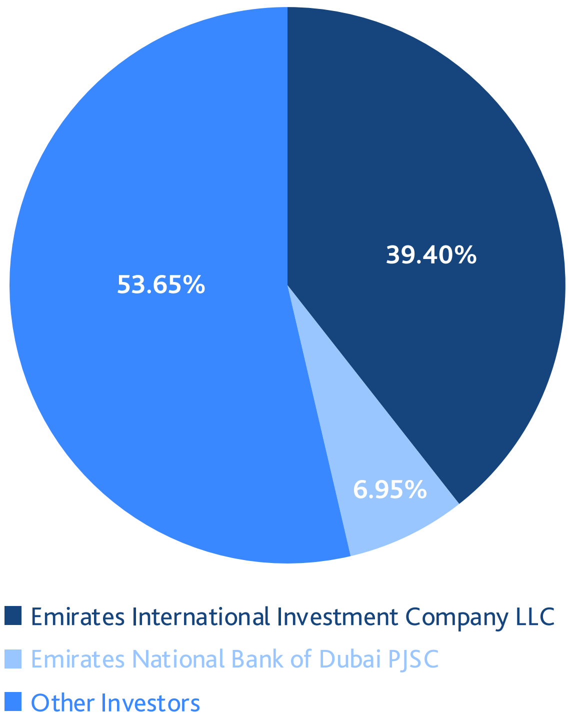
ADIB Share Ownership

ADIB has an authorized share capital of 4,000,000 thousand ordinary shares of AED 1 each, issued and fully paid share capital is AED 3,632,000 thousand ordinary shares of AED 1 each. All of the shares in the company are nominal of which (60%) shall be fully owned by nationals of United Arab Emirates, while non-nationals are permitted to own shares of the company to the extent, but not exceeding (40%), and maximum limit per shareholder is (5%).

As of 31 December 2022, the major owners that holds directly more than (5%) as published by the Company via the electronic publishing platform of Abu Dhabi Exchange (ADX) and ADIB website and their voting rights were as follows:

Significant Shareholders	Number of Shares	% of Holdings and Voting Rights
Emirates International Investment Company LLC	1,431,110,701	39.4%
Emirates National Bank of Dubai PJSC	252,575,524	6.95%
Other Investors	1,924,294,669	53.65%
Total ADIB shares	3,632,000,000	100.00%

ADIB Ownership Structure



Board Committees and Sub-committees

- Audit Committee (BAC)
- Strategy Committee (BSC)
- Credit and Investment Committee (CIC)
- Risk Committee (RC)
  - Profit Equalization Sub-Committee
- Nomination and Compensation Committee (NCC)
- Environment, Social and Governance Committee (ESGC)

ADIB Board Committees (1/2)

01

Audit Committee

Objectives:

The key objectives of the Committee are:

1. Adequacy of the consolidated financial statements.
2. Compliance with applicable laws and regulations by the Group.
3. Effective Risk management covering emerging risks in coordination with Risk Committee.
4. Competence and independence of the external auditors.
5. Performance by Audit and Risk Review (Internal Audit) of its duties and maintenance of its independence.
6. Performance review of Compliance function and assuring its independence.
7. Adequacy and effectiveness of the internal control system.

Members:

1. Abdul Wahab Al Halabi – Chairman
2. Najib Fayyad – Member
3. Abdulla Al Ahbabi – Member

02

Strategy Committee

Objectives:

The key objectives of the Committee are:

1. Guide the Group's Executive Management to develop the Group's strategic objectives and business strategy.
2. Conduct periodic review on achievement of strategic objectives and business plans.
3. Advise corrective actions wherever required.
4. Act as a conduit between the Board and senior management on business issues.

Members:

1. Faisal Al Shuaibi – Chairman
2. Najib Fayyad – Vice Chairman
3. Maha Al Qattan – Member
4. Khalifa Al Mheiri – Member
5. Abdul Wahab Al Halabi – Member

03

Credit and Investment Committee

Objectives:

The key objectives of the Committee are:

1. To review the quality of the Group's credit portfolio and the trends affecting that portfolio across ADIB Group under the authorities delegated by the Board.
2. To oversee the effectiveness and administration of credit-related policies; and to approve high value loans.
3. The Committee must consider and apply any guidance, resolutions or regulations issued by the UAE Ministry of Economy, UAE Central Bank, the Securities and Commodities Authority, Federal Laws and any the rules applied by any other regulator in the jurisdiction where the Group is conducting activities.

Members:

1. Jawaan Al Khaili – Chairman
2. Khalifa Al Mheiri – Vice Chairman
3. Najib Fayyad – Member
4. Abdulla Al Ahbabi – Member
5. Abdul Wahab Al Halabi – Member

ADIB Board Committees (2/2)

04

Risk Committee

Objectives:

The key objectives of the Committee are:

1. Review and recommend the establishment of and revision to the risk governance framework, the risk profile of the Group at the enterprise level and recommendations on appropriate calibration of this profile, in line with the applicable regulatory standards, rating considerations and business strategy across ADIB Group.
2. Review and oversee the implementation of the governance frameworks by the senior management for the Group and recommend the same to the Board, in alignment with the requirements of the Basel Committee on Banking Supervision, and in compliance with all local regulatory requirements.
3. Oversee the risks inherent in the business of the Group and the control processes with respect to such risks. It is not within the scope of the Committee's responsibilities to approve or review any specific credit exposure or high value transaction.

Members:

1. Khalifa Al Mheiri – Chairman
2. Abdul Wahab Al Halabi – Member
3. Najib Fayyad – Member
4. Faisal Al Shuaibi – Member

05

Nomination and Compensation Committee

Objectives:

The key objectives of the Committee are:

1. To lead the process for Board appointments and directors' evaluation, identify and nominate for approval of the Board candidates for appointment to the Board.
2. To review succession plans for the Chairman, CEO and other key board positions.
3. To review the selection criteria and approval of number of executive and employee positions required by the Group taking into consideration the advice of an independent and recognized consulting firm.
4. To be responsible for the overall oversight of management's implementation of the compensation system for the entire bank.
5. To review on an annual basis the policy, process and outcomes of the compensation, benefits, incentives and salaries of all Group employees taking into consideration the advice of an independent and recognized consulting firm.
6. To regularly monitor and review outcomes to assess whether bank-wide compensation system is creating the desired incentives for managing risk, capital and liquidity.
7. Align and liaise closely with the Risk Committee in the evaluation of incentives created by the compensation system.

Members:

1. Jawaan Al Khaili – Chairman
2. Khalifa Al Mheiri – Member
3. Najib Fayyad – Member
4. Maha Al Qattan – Member
5. Faisal Al Shuaibi – Member

06

Environmental Social and Governance Committee

Objectives:

The key objectives of the Committee are:

1. ESG / Sustainability goals, targets, policies, strategies, initiatives, programmes, and related plans (e.g.: short-term and long-term) proposed by the ESG department; taking into consideration the following:
2. ADIB's ESG / Sustainability targets and annual budget requirements.
3. Alignment with ADIB's corporate strategy.
4. Actions related to ESG / Sustainability-related risks, opportunities, and material issues.
5. Recommendations proposed by the ESG Department to enhance ADIB's ESG / Sustainability-related progress.

Members:

1. Maha Al Qattan - Chairman
2. Abdul Wahab Al Halabi – Member
3. Abdulla Al Ahbabi – Member

Islamic Banking Governance

- ADIB Shari’a Governance Framework
- Internal Shari’a Supervisory Committee Meetings 2023
- Profile of Internal Shari’a Supervisory Committee Members

ADIB Shari'a Governance Framework

The Shari'a Standards comprehensively provide the roles and responsibilities of the Board of Directors of the Islamic Financial Institution ('Board'), senior management and certain committees and departments of an Islamic Financial Institution. Briefly listed below are their main responsibilities.

Board of Directors: Ultimate responsibility for ensuring that a comprehensive IFI Governance Framework is put in place and that the Islamic Financial Institution is in compliance with Islamic Shari'a (as per resolutions, Shari'a pronouncements, regulations and standards issued by the HSA and resolutions and fatwas issued by the Islamic Financial Institution's Internal Shari'a Supervisory Committee ('ISSC'), in relation to licensed activities and businesses of the Islamic Financial Institution) rests with the Board. The Board is required to hold at least one meeting with the ISSC each financial year to discuss issues pertaining to Shari'a compliance.

Board's Risk Committee: The Board's Risk Committee is generally responsible for supervising and monitoring the management of Shari'a non-compliance risk (SNC Risk), setting controls in relation to each type of risk and overseeing the implementation of the Shari'a non-compliance risk framework.

Senior Management: The senior management is generally responsible for executing and managing the Islamic Financial Institution's activities and business in compliance with Islamic Shari'a.

Board's Audit Committee: The Board's Audit Committee is generally responsible for evaluating the effectiveness of the policies approved by ISSC, assessing the effectiveness and adequacy of internal and external Shari'a audit and reviewing and checking compliance with reports prepared by the ISAG and external Shari'a auditors.

Internal Shari'a Supervisory Committee (ISSC): The members of the Internal Shari'a Supervisory Committee of ADIB ("the Committee") were appointed in the General Assembly Meeting in compliance with the Decretal Federal Law No. (14) of 2018, CBUAE Shari'a Governance Standard and Bank's Article of Association. The Committee, whose members are not members of the ADIB Board, has a term of three years and all members are required to form a quorum, whether by principal or by proxy. The role and responsibilities of ADIB ISSC include:

01. Undertake Shari'a supervision of all businesses, activities, products, services, contracts, documents, and code of conducts of the Bank.

02. Issue Shari'a pronouncements and resolutions that are binding upon the Bank.

03. Monitor through the ISCG and the ISAG, the Bank's compliance with Islamic Shari'a.

04. Review and approve corrective measures, remediation required by the Islamic Shari'a regarding the consequences arising from Shari'a non-compliance (SNC) issues and recommend preventive measures to avoid reoccurrence of any such issues.

05. Review and approve from Shari'a perspective the method for calculation and distribution of profits, allocation of expenditures and costs and their division between holders of investment accounts and shareholders; and final annual accounts before presenting them to the Central Bank.

06. Issue an annual report stating the extent of Bank's compliance with Islamic Shari'a that is published within the financial statement in the Bank's disclosures and other available means:

During the year, ISSC held (8) meetings to look after various issues and queries raised by or through the ISCG and the ISAG. Further, (2) meetings were held with the Executive Member. In total (151) Shari'a resolutions were issued and (116) were notified. Resolutions had wide area of coverage including sovereign Sukuks and large corporate deals besides many queries related to compliance with Islamic Shari'a in the transaction carried out by various business segments.

Internal Shari'a Control Group (ISCG) supports the ISSC in its duties. The ISCG carries out the following functions:

- ISSC Secretariat Function
- Shari'a Consultations Function
- Shari'a Research and Development Function
- Shari'a Compliance Function; and
- Shari'a Training Function, each as detailed in the Standards and ADIB's Shari'a Governance Framework.

Internal Shari'a Audit Group (ISAG): is generally responsible for undertaking Shari'a audits and monitoring the Islamic Financial Institution's compliance with Islamic Shari'a. The ISAG is required to submit reports to the ISSC and to the Board Audit Committee at least bi-annually.

Name	Position	No. of Meetings Attended
Professor Dr. Mohammad Abdul Rahim Sultan Al Olama	Chairman of the ISSC Member of ISSC's Executive Committee Executive Member of the ISSC	(8) - ISSC (2) - Executive Member
Professor Dr. Jassim Ali Salem Al Shamsi	Member of the ISSC Member of ISSC's Executive Committee Second Executive Member of the ISSC	(8) - ISSC
Professor Dr. Ashraf Md Hashim	Member of the ISSC Member of ISSC's Executive Committee	(8) - ISSC
Sheikh Esam Mohamed Ishaq	Member of the ISSC	(8) - ISSC
Dr. Ali Al Junaidi	Member of the ISSC	(8) - ISSC

Profile of Internal Shari'a Supervisory Committee Members

Prof. Dr. Mohammad Abdulrahim Sultan Al-Olama

A learned Shari'a scholar from the UAE. Professor of Fiqh & Islamic Jurisprudence in the Law Faculty at the UAE University (Al Ain). Member of Shari'a advisory committees in the UAE, Oman and Bahrain. Chairman of the ISSC of Emirates Islamic Bank, Dar Al Takaful, and member of the ISSC of Dubai Islamic Bank, Emirates NBD, CBD Al Islami and National Bonds. PhD. (Comparative Islamic Fiqh) from Umm Al-Qura University (Saudi Arabia).

Prof. Dr. Jassim Ali Al-Shamsi

A learned scholar from the UAE specialized in Islamic commercial jurisprudence and Fiqh. Member of the Higher Shari'a Authority of the Central Bank of the UAE. Chairman of the ISSC of Sharjah Islamic Bank, Al Hilal Bank, ADCB, Arab Bank for Investment & Foreign Trade, and a member of the ISSC of Ajman Bank. PhD. (Civil Law: A Comparative Study with Commercial Fiqh) from Cairo University (Egypt).

Prof. Dr. Ashraf bin Md Hashim

A learned Shari'a scholar from Malaysia. CEO of ISRA Consulting (Malaysia). Chairman of the Shari'a Advisory Council at Bank Negara Malaysia. Member of Shari'a advisory committees in the UAE, Malaysia, Singapore, Nigeria and Australia. Member of the ISSC of Standard Chartered (UAE). PhD. (Islamic Law) from the University of Birmingham (UK).

Sheikh Esam Mohamed Ishaq

A learned Shari'a scholar from Bahrain. Member of the Higher Shari'a Authority of the Central Bank of the UAE. Member of Shari'a advisory committees in UAE, Oman, Bahrain, United Kingdom, Guinea, Senegal, Pakistan, Nigeria. Member of the ISSC of Dubai Islamic Bank, Emirates Islamic Bank, Fajr Capital Limited.

Dr. Ali Al-Junaidi

A learned Shari'a scholar from the UAE. Associate Professor (Fiqh & Islamic Jurisprudence) at the UAE University (Al Ain). Member of the ISSC of Sharjah Islamic Bank (UAE), Aafaq Islamic Finance and Arab Bank for Investment & Foreign Trade. PhD. (Fiqh & Islamic Jurisprudence) from Yarmouk University Jordan.

Employee Remuneration and Rewards

- Guiding Principles, Philosophy and Culture
- Total Rewards – Key Components
- Variable Pay
- Retention of UAE Nationals
- Governance and Continuous Improvement
- Snapshot of the ADIB Variable Pay Framework

Employee Remuneration and Rewards

Guiding Principles, Philosophy and Culture

ADIB's compensation philosophy is performance-oriented, market-aware and aligned with business strategy and stakeholder interests. It encourages a culture that is based on merit, and differentiates and rewards excellent performance, both in the short and long term.

The remuneration framework delivers competitive industry compensation in keeping the principles of fairness while nurturing a responsible risk-taking culture. ADIB's remuneration packages are carefully structured, commensurate with the key accountabilities, responsibilities and risk-taking profiles of management levels. A fundamental component of the remuneration structures for senior management and Material Risk Takers is the significant portion on variable compensation which includes the retention /deferred bonus component and the option for ADIB to claw back discretionary rewards.

For ADIB senior leaders who are our top achievers, our goal is to ensure that there is a performance-linked and fair approach to total rewards structures to reflect their top performances relative to their peers. This is a key aspect of attracting, motivating and retaining top talent in ADIB. Our approach to remuneration aims to minimize turnover and ensure continuity of our cadre of senior managers. In line with he Board-approved strategy, total compensation is not intended to be our competitive edge; for more junior levels, ADIB benchmarks to be within market. Compensation is based on individual, business unit and the Bank performance and discretionary rewards are based on the result of a transparent annual performance appraisal process with joint input from line management and direct reports.

The rewards structure also embeds effective risk management in line with Basel Principles, Central Bank of UAE requirements and industry responsible banking practices around balancing of the interests of our customers, shareholders and other stakeholders.

Total Rewards – Key Components

ADIB aims to attract, motivate and retain the best resources capable of achieving our company strategy and goals in adherence to ADIB values. We see our compensation strategy as a key driver to reinforce employee commitment, engagement and alignment with organizational goals.

ADIB's total compensation approach provides a balanced package designed to impact in a specific manner the motivation and retention of employees. The compensation structure consists of the following:

- Basic salary,
- Benefits, allowances, and,
- Variable compensation awarded for good performance.

Basic Salary plus benefits and allowances combined make up the Fixed Annual Cash ("FAC").

Employee Remuneration and Rewards

Variable Pay

Variable compensation is either formulaic incentive plans or the discretionary bonus. Outstanding individual performance is recognized through one or the other depending on the plan which is applicable to the role performed as per the employment contract. Variable pay is based on the following components:

- Individual Annual Performance including Competencies levels and Compliance Risk
- Link to Business / Function Performance
- Link to ADIB's overall performance against the Board-approved objectives

Retention of UAE Nationals

ADIB has developed initiatives under its Emiratization Policy to retain UAE Nationals by providing them with professional consultancy and career paths along with compensation structures to create the most attractive working environment for high potential UAE Nationals.

Governance and Continuous Improvement

The Board Nomination and Compensation Committee periodically reviews the effectiveness of the ADIB approach to remuneration in particular variable pay components and has at its disposal available subject matter experts to ensure that the philosophy is benchmarked against its peers and is aligned to Central Bank of UAE corporate governance regulations No. 83/ 2019.

Snapshot of the ADIB Variable Pay Framework

ADIB aims to attract, motivate and retain the best resources capable of achieving our company strategy and goals in adherence to ADIB values. We see our compensation strategy as a key driver to reinforce employee commitment, engagement and alignment with organizational goals.

Key Design Features and Controls of Variable Pay

ADIB Variable Pay Component	Features
Emiratization and Talent Management	Retention Packages for UAENs
Deferred compensation	Three Years with claw back comprising cash and shares
Correlation to Individual Performance	Employee and Manager involvement
Correlation to respective Business/ Function Performance	Moderation and approval by NCC
Correlation to ADIB overall performance	Approval by NCC
Control Functions compensation	Compensation outcomes must be symmetric with risk outcomes
Risk Culture	Designed to prevent excessive risk-taking in line with appetite
Limits	Board approval is required above key thresholds

Special Resolutions

Authorize the Board of Directors to

- Issue additional Tier 1 sukuk which are not convertible into shares in an aggregate face amount not exceeding USD 3 billion (or equivalent thereof in any other currency) and to authorize the Board of Directors to determine and agree on the date of issuance provided that such date does not exceed one year from the date of the General Assembly meeting, the amount, offering mechanism, transaction structure and other terms and conditions of such issuance (provided that such issuance is subordinated, profit payments under the terms and conditions of such issuance are capable of being cancelled under certain circumstances and the terms and conditions also contain a point of non-viability provision), and subject in all cases to obtaining necessary approvals which may be required from the relevant competent regulatory authorities.

- Issue any senior Sukuk and/ or other similar instruments which are not convertible into shares, whether under a programme or otherwise, in an aggregate outstanding face amount not exceeding USD 5 billion (or the equivalent there of in other currencies) at any time and to authorize the Board of Directors to determine and agree on the date of issuance provided that such date does not exceed one year from the date of the General Assembly meeting, the amount, offering mechanism, transaction structure and other terms and conditions of any such issuance(s), provided that this is undertaken in compliance with the provisions of the Commercial Companies Law and any regulations or guidelines issued by any governmental or regulatory authority pursuant to such law and after obtaining approvals which may be required from the relevant competent regulatory authorities.

ESG Summary Report 2023

Summary

This past year has been a true testament to Abu Dhabi Islamic Bank's commitment to the harmonious combination of the principles of Shari'a with social and economic responsibility. Building on ADIB's sound foundation in responsible practices, many of ADIB's sustainability ambitions were achieved, including historic ones; the issuance of the world's first dollar denominated Green Sukuk by a bank marks ADIB as a leader in the coalescing of Islamic finance with global financial standards. This marks the first sukuk issuance under the newly formulated ADIB Sustainable Finance Framework, published with rigorous eligibility criteria, and a Second-Party Opinion.

ADIB's ESG Milestones in 2023

01. The formalization of a three-year ESG strategy, committing the Bank and all its business lines to ESG KPIs to ensure that the Sustainable Future bank-wide strategy pillar is fulfilled with measurable, and impact driven targets.

02. ADIB has already bounded forward in its sustainable finance target, achieving AED 5.567 Bn in green and sustainable financing. Alongside this, the Bank has integrated robust ESG due diligence into the credit screening process and is in the process of formulating an ambitious Net Zero strategy to ensure a positive contribution to global efforts to combat climate change.

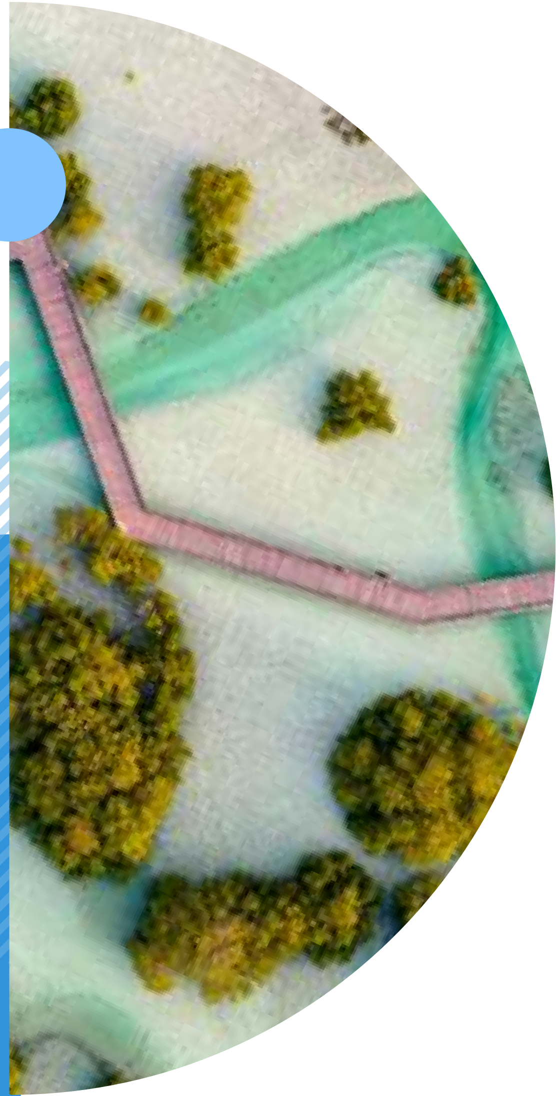
03. On the governance front, we have improved our ESG monitoring and integration by forming ESG committees at both the executive and board levels.

04. In line with the spirit of Islamic principles, ADIB's commitment to social responsibility remains strong, with initiatives in financial inclusion and literacy contributing to both our customers and the communities around us. Promoting equitable, safe, and productive societies remains a strong focus in our ESG strategy.

05. All of these strides have achieved a significant improvement in our ESG ratings, including maintaining A in MSCI, more than doubling in the Standard & Poor's CSA to 40 points, as well as a decrease to medium ESG risk by Sustainalytics; positioning ADIB among the sustainability leaders in the region.

06. ADIB was proud to be an Associate Pathway Sponsor of COP28 in Dubai, giving both the industry and the public a view of the Bank's thought leadership in the space of sustainable Islamic finance.

07. ADIB also became one of the few regional banks to be a Principles of Responsible Banking (PRB) signatory, aligning with the UNEP, cementing the Bank's commitment to global ethical standards, and robust target setting as part of an authentic sustainability journey.



Highlights of the Year 2023

Establishment of **ESG** board and management committees

Finalized a three-year **ESG** strategy

Zero data breaches **0**

Female Board Representation **14%**

ESG ratings
MSCI A
Sustainalytics 29.6
S&P CSA 40

Setting **Net Zero** Targets

Highlights of the Year 2023

Total training hours
325,124

Number of nationalities
50+

Local procurement spending
Over 80%

Emiratization
44%

Community targeted initiatives
100

Women in workforce
40%

Customer NPS score
67%

SME financing
Over AED 1.4 Bn

Highlights of the Year 2023

Sustainable Finance Facilitated
Over AED 5.567 Bn

Issued the world's 1st dollar denominated green sukuk by a bank
USD 500 Mn

Sustainable finance framework
SPO approved

Developed
ESG risk policy
and framework

2 new
green finance products

Our ESG Strategy

- Developed 3 year roadmap with specific actions based on stakeholder engagement, market requirement and industry leading practices.
- The strategy engages departments with specific KPIs that link sustainability to their performance.
- We will provide a performance update as part of our sustainability reporting on an annual basis.

ENVIRONMENT

- Commit to grow our total assets in Sustainable/green finance
- Support the transition to low carbon economy and reduce our financed emissions
- Commit to Net Zero in our operations
- Enhance ESG management through a robust governance structure that covers sustainable finance, ESG framework and risk policies and other relevant policies.

SOCIAL

- Commit to growing SME financing
- Achieve at least 90% customer satisfaction rate
- Increase yearly reach of finance literacy & inclusion programs by 5%
- Grow the number of women in management position
- Maintain at least 89% employee satisfaction rate
- Grow the number of Emiratis in the workforce
- Continue our social and community activities and sponsorships
- Develop a wellbeing strategy

GOVERNANCE

- Incorporate ESG considerations in risk and credit management
- Integrate ESG considerations and due diligence in investment & finance decisions
- Incorporate ESG considerations and criteria in our vendor management decisions
- Incorporate ESG into Balanced Score Card
- Integrate ESG in governance structure
- Report on ESG as per market and legal requirements, as well as leading practices

ESG Data Tables

ADIB مصرف أبوظبي الإسلامي

Environment

Metric		Unit	2021	2022	2023	Corresponding GRI Standard	Corresponding SDG	Notes
E1. GHG emissions	E1.1) Total amount in CO2 equivalents, for Scope 1	tonnes CO_2e	464	1545	492	GRI 305:Emissions 2016	13 Climate Action	A significant refrigerant leakage occurred in one of ADIB's facilities causing an increase in Scope 1 emissions for 2022.
	E1.2) Total amount, in CO2 equivalents, for Scope 2		N/A	11,330	10,765			
	E1.3) Total amount, in CO2 equivalents, for Scope 3		30,290	70,816	100,000			Only includes business air travel (Category 6)
E2. Emissions Intensity	E2.1) Total GHG emissions per output scaling factor	tonnes CO_2e/employee	16.60	38.09	51.48		13 Climate Action	Scaling factor: per employee (total number of employees revised). The trend of increasing emissions intensity is largely due to an increased amount of data coverage on Scope 1, 2, and 3.
	E2.2) Total non-GHG emissions per output scaling factor		N/A	N/A	N/A			
E3. Energy Usage	E3.1) Total amount of energy directly consumed	GJ	3571	3238	3015	GRI 302:Energy 2016	12 Responsible Consumption and Production	Numbers have changed due to enhanced calculation methodology
	E3.2) Total amount of energy indirectly consumed	GJ	N/A	101,319	97,013			Numbers have changed due to enhanced calculation methodology
E4. Energy Intensity	Total direct energy usage per output scaling factor	GJ/employee	1.9	1.4	1.3	GRI 302:Energy 2016	12 Responsible Consumption and Production	
E5. Energy Mix	Percentage: Energy usage by generation type	%	N/A	N/A	N/A	GRI 302:Energy 2017	7 Affordable and Clean Energy	
E6. Water usage	E6.1) Total amount of water consumed	m^3	N/A	93,114	80,043	GRI 303: Water and Effluents 2018	6 Clean Water and Sanitation	
	E6.2) Total amount of water reclaimed	m^4	N/A	N/A	N/A			
E7. Environmental Op.	E7.1) Does your company follow a formal Environmental Policy? Yes/No		No	No	Yes	GRI 103: Management Approach 2016		Environmental Management Policy published on our public disclosures (https://www.adib.ae/en/siteassets/sustainability/environmental-management-policy.pdf)
	E7.2) Does your company follow specific waste, water, energy, and/or recycling polices? Yes/No		No	No	No			However, we have the Al Ghaf Paperless program which targets reductions in ADIB paper consumption and waste.
	E7.3) Does your company use a recognized energy management system?		Yes	Yes	Yes			ADIB BMS + ISO 14001 are used in combination as an energy management system
E8. Environmental Oversight	Does your Management Team oversee and/or manage sustainability issues? Yes/No		No	No	Yes	GRI 102: General Disclosures 2016		ADIB has created committees at both management and board levels specifically for ESG.
E9. Environmental Oversight	Does your Board oversee and/ or manage sustainability issues? Yes/No		No	No	Yes	GRI 102: General Disclosures 2017		
E10. Climate Risk Mitigation	Total amount invested, annually, in climate related infrastructure, resilience, and product development	AED Billions	2.292	2.933	4.162		13 Climate Action	(AED) invested in Green project finance and investements such as green Sukuk; the value for 2023 excludes the USD $500 Million green sukuk issued in 2023.

ESG Data Tables

Social

Metric		Unit	2021	2022	2023	Corresponding GRI Standard	Corresponding SDG	Notes
S1. CEO Pay	S1.1) Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation	Ratio	N/A	N/A	N/A	GRI 102:General Disclosures 2016	10	
	S1.2) Does your company report this metric in regulatory filings? Yes/No		No	No	No			
S2. Gender Pay Ratio	S2) Ratio: Median male compensation to median female compensation	Ratio, Men:Women	N/A	N/A	M:W median compensation is 1:0.8	GRI 405: Diversity and Equal Opportunity 2016	5	Data last updated in June 2023.
S3. Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees	%	15	11	13	GRI 401: Employment 2016		
	S3.2) Percentage: Year-over-year change for part-time employees	%	N/A	N/A	N/A			
	S3.3) Percentage: Year-over-year change for contractors/consultants	%	N/A	N/A	N/A			
S4. Gender Diversity	S4.1) Percentage: Total enterprise headcount held by men and women	%	35	39	40	GRI 102: General Disclosures 2016, GRI 405: Diversity and Equal Opportunity 2016	5	
	S4.2) Percentage: Entry and mid-level positions held by men and women	%	33	39	38			
	S4.3) Percentage: Senior and executive level positions held by women	%	6	6	6			EVP and above
S5. Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees	%	N/A	N/A	N/A	GRI 102: General Disclosures 2016		
	S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	%	59	45	55			
S6. Non-Discrimination	Does your company follow non-discrimination policy? Yes/No		Yes	Yes	Yes	GRI 103: Management Approach 2016	10	Please find our diversity and inclusion policy here: HYPERLINK(https://www.adib.ae/en/siteassets/sustainability/diversity-and-inclusion-policy.pdf)
S7. Injury rate	Percentage: Frequency of injury events relative to total workforce time	%	0	0	0	GRI 403: Occupational Health and Safety 2018	3	
S8. Global Health & Safety	Does your company follow an occupational health and/or global health & safety policy? Yes/No		Yes	Yes	Yes	GRI 103: Management Approach 2016	3	The Bank has published a Health & Safety Policy HYPERLINK(https://www.adib.ae/en/siteassets/sustainability/adib-hs-policy-statement.pdf) and is certified with ISO 45001 for Occupational Health and Safety
S9. Child & Forced Labor	S9.1) Does your company follow a child and/or forced labor policy? Yes/No		Yes	Yes	Yes	GRI 103: Management Approach 2016	8	Not stand alone, part of the HR policy and the Bank's adherence to UAE labor laws, find all of our policies here(HYPERLINK https://www.adib.ae/en/pages/policies-statements-and-disclosures.aspx)
	S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No		Yes	Yes	Yes			
S10. Human Rights	S10.1) Does your company follow a human rights policy? Yes/No		Yes	Yes	Yes	GRI 103: Management Approach 2016	10	This is embedded throughout our policies instead of being a standalone policy; human rights are included in the Code of Conduct, Diversity and Inclusion Policy, and adherence to the UAE labor laws
	S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No		Yes	Yes	Yes			
S11. Nationalisation	Percentage of national employees	%	40	45	44		8	
S12. Community Investment	Amount invested in the community, as a percentage of company revenues	%	0.4	0.3	0.4	GRI 413: Local Communities 2016	8	

ESG Data Tables

Governance

Metric		Unit	2021	2022	2023	Corresponding GRI Standard	Corresponding SDG	Notes
G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women	%	0	14	14	GRI 405: Diversity and Equal Opportunity 2016		A significant refrigerant leakage occurred in one of ADIB's facilities causing an increase in Scope 1 emissions for 2022.
	G1.2) Percentage: Committee chairs occupied by men and women	%	0	5	12			
G2. Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No		Yes	Yes	Yes			
	G2.2) Percentage: Total board seats occupied by independent board members	%	67	71	71			
G3. Incentivized pay	Are executives formally incentivized to perform on sustainability?		No	No	Yes			The ADIB ESG Report 2023 will expand on how our strategy incorporates this metric into the three-year sustainability plan.
G4. Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/No		Yes	Yes	Yes			
	G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	%	100	100	100			
G5. Ethics & Prevention of Corruption	G5.1) Does your company follow an Ethics and/or Prevention of Corruption policy? Yes/No		Yes	Yes	Yes			
	G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?	%	100	100	100			
G6. Data Privacy	G6.1) Does your company follow a Data Privacy policy? Yes/No		Yes	Yes	Yes			
	G6.2) Has your company taken steps to comply with GDPR rules? Yes/No		Yes	Yes	Yes			
G7. Sustainability Reporting	Does your company publish a sustainability report? Yes/No		Yes	Yes	Yes			
G8. Disclosure Practices	G8.1) Does your company provide sustainability reporting frameworks? Yes/No		Yes	Yes	Yes			
	G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No		Yes	Yes	Yes			
	G8.3) Does your company set targets and report progress on the UN SDGs? Yes/No		No	No	Yes			
G9. External Assurance	Are your sustainability disclosures assured or verified by a third-party audit firm? Yes/No		No	No	No	GRI 103: Management Approach 2016 (when used in combination with the topic specific Standards)		