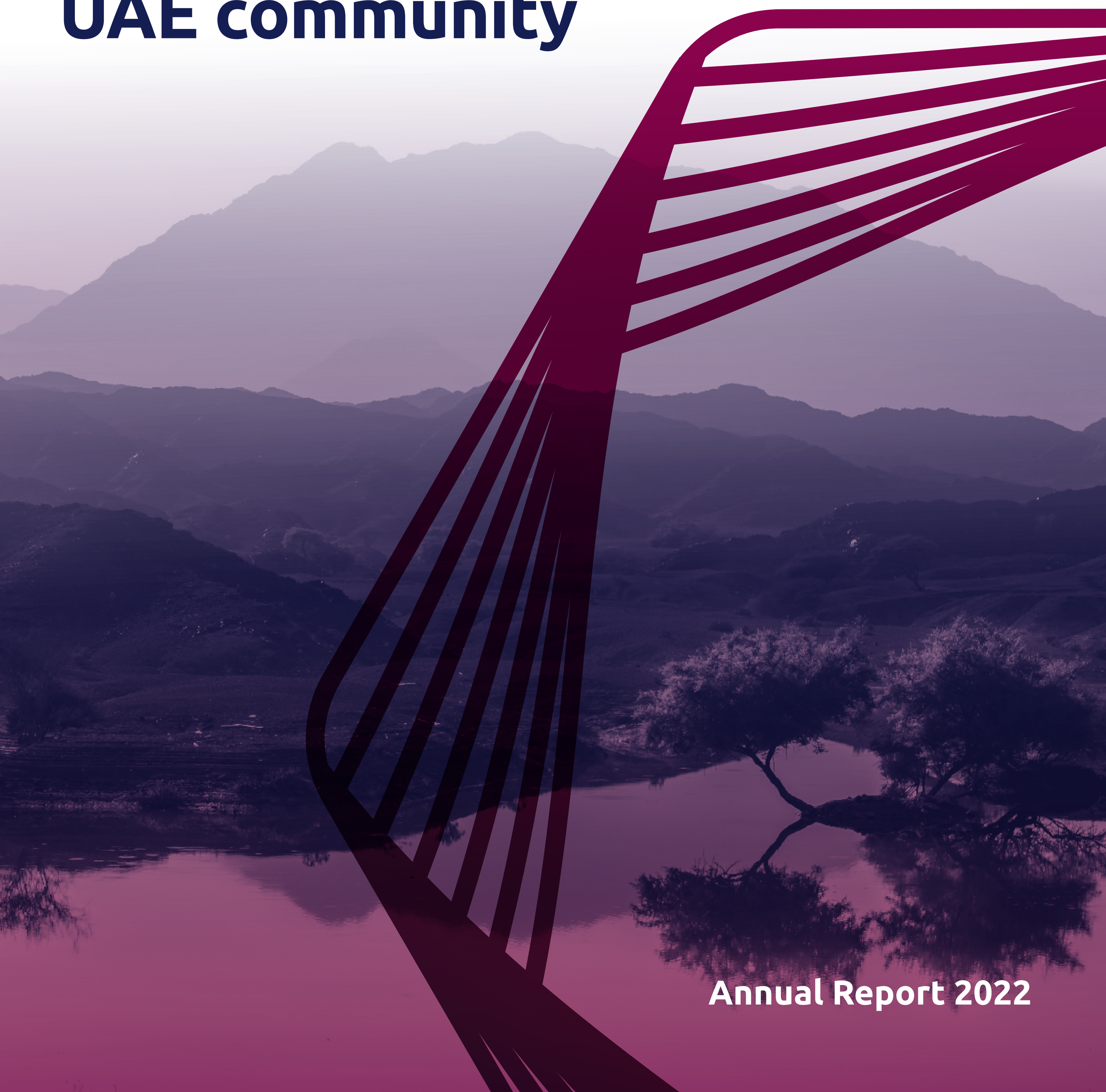
CBI

البنك التجاري الدولي

Supporting our customers, people and the UAE community



Annual Report 2022

His Highness
Sheikh Mohammed Bin Zayed Al Nahyan
President of the United Arab Emirates and Ruler of Abu Dhabi

His Highness
Sheikh Mohammed Bin Rashid Al Maktoum
Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai

His Highness

Sheikh Saud Bin Saqr Al Qasimi

Supreme Council Member
and Ruler of Ras Al Khaimah

His Highness

Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi

Crown Prince of Ras Al Khaimah

Contents

At a Glance

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

AED 21.2 Billion

Total Assets

AED 13.6 Billion

Gross Loans
& Advances

AED 12.2 Billion

Customer Deposits

Financial Highlights

Fitch BBB+
[Stable Outlook]

Net Operating Income
AED 603 Million

Net Profit
AED 150 Million
(+15%)

Capital Adequacy Ratio
14.41%

Chairman Message

Saif Ali Al Shehhi
Chairman

Chairman Message

CBI's robust performance in 2022 benefited from markets recovering, as the COVID pandemic restrictions eased in the region and across the rest of the world. Among other important national developments during 2022 were the huge global interest in Dubai Expo 2020 and the introduction of the new UAE Golden Visa Scheme. The changes to work visas were very positively received by the business community and the UAE society in general, and we believe they will deliver increasingly widespread benefits to the entire economy now and in the longer term.

Notwithstanding the positive developments, the year has not been without its challenges. Threatening the post-COVID recovery is the steep increase in inflation across the world, which central banks, including our own, have tried to counter with interest rate hikes. At the year end, inflation remained high globally and consequently, economic activity is forecast to slow relatively across the world in 2023.

Against this macroeconomic backdrop, I'm pleased to report that judicious implementation of our strategy generated another year of strong results and performance. The key factors behind this achievement included continued excellent contribution by the Wholesale Banking Group and a strong result from the Retail Banking Group as well, supported with robust Treasury management to maintain our highly liquid position in a tightening and extremely competitive market.

Pioneering innovation

We continued the journey started in the previous year of a Bank-wide technological transformation, with our 2022 emphasis mainly on emerging technologies. Web3 (the expected future of the World Wide Web) and the Metaverse present interesting new avenues for growth as banking customers expand their interactions, including transactional activities, into the virtual world.

We launched our first live, public Metaverse activation in October in Dubai's flagship GITEX 2022 Exhibition, showing our customers and the public what is possible when blending physical and digital realities. We also used the platform to recruit an Emirati talent, the first of its kind in the UAE, showcasing how the future of the business world will evolve and change with the new advanced technologies. We are energised by the vast, tangible potential of this exciting technology and how it could help us better serve our customers and benefit our business.

Our strategic imperative is to leverage innovation as a tool to deepen our relationships with our customers by using evolving technology to go over and above their changing demands and service quality expectations. Our long-term goal is to find the best ways to converge physical and digital realities to enhance a differentiated customer experience and secure a distinctive competitive edge. This is especially vital, given the number of new non-traditional fintech players competing in the banking space.

The confluence of Web3 and the Metaverse with conventional products and services is the future of banking. As an early adopter of novel ways to deliver products and services to customers, CBI will aim to establish a clear market leadership position in the Metaverse, becoming the bank of choice for a new generation of customers.

Acknowledgements

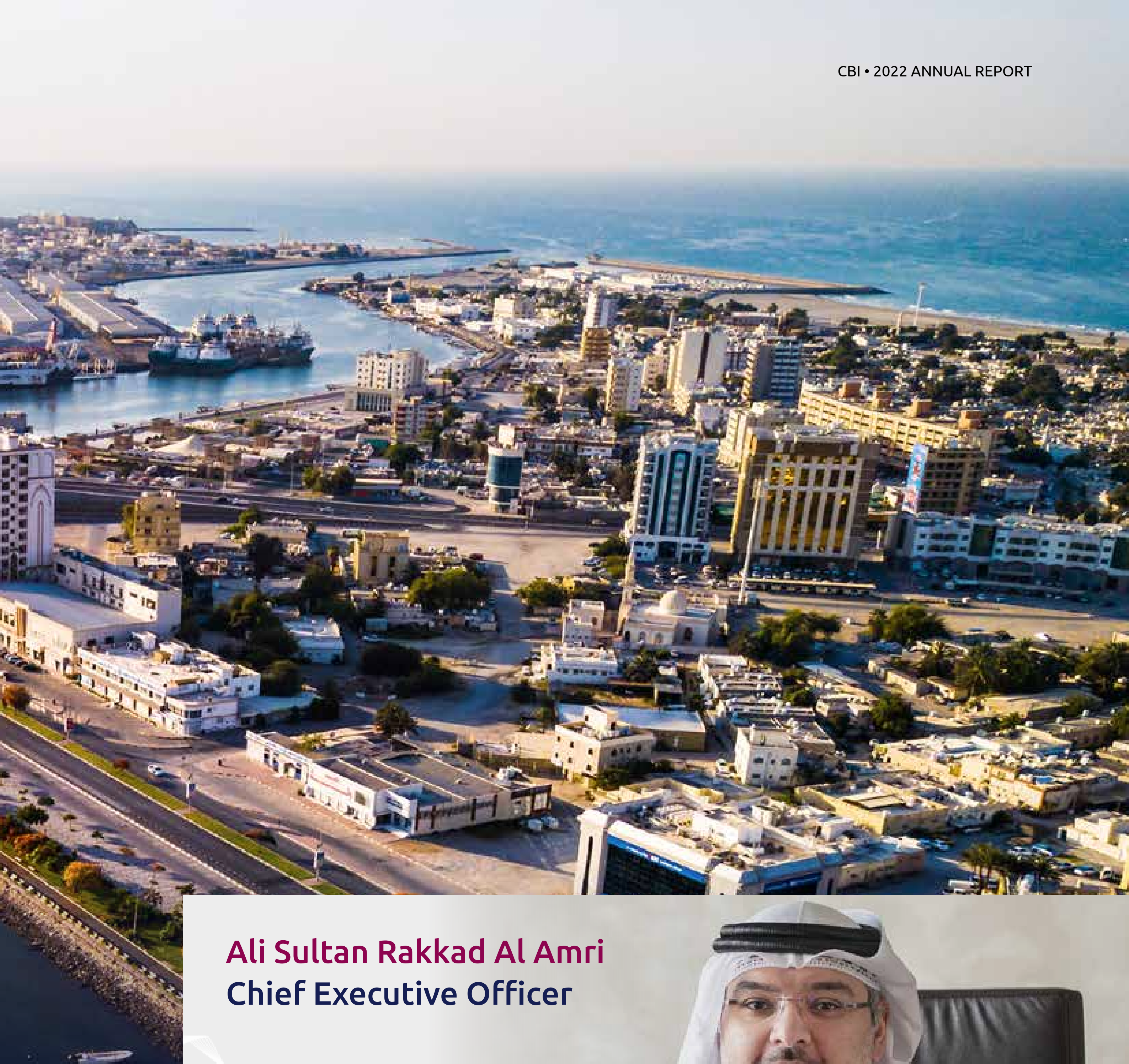
I wish to share the Board's gratitude to our executive management for their astute decision-making and leadership, and to all our employees for their hard work and resilience in a rapidly changing environment.

In addition, I would like to express my deep appreciation for the exceptional leadership of the nation provided by His Highness Sheikh Mohammed bin Zayed Al Nahyan, President of the UAE, and the leaders of the Emirates – His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai; His Highness Sheikh Saud bin Saqr Al Qasimi, Ruler of Ras Al Khaimah; and His Highness Sheikh Mohammed bin Saud bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah.

Saif Ali Al Shehhi
Chairman

> **After delivering solid foundations for strategic growth in 2021, CBI accelerated innovation and achieved a strong performance in 2022, positioning the Bank well for the next level of growth and development, as we aspire to become the market leader in customer experience.**

CEO Message



Ali Sultan Rakkad Al Amri
Chief Executive Officer

CEO Message

The strength of our strategy and talent across our Bank shone through in 2022, as we delivered a strong financial performance, introduced new offerings, welcomed our customers to an enhanced CBI experience, and continued to invest for the future.

Our continuing transformation strategy ushered in a strong performance in 2022, with the key pillars of our strategy contributing to CBI progress across financial and non-financial metrics.

We believe the continuity of our future successes require investment in customer-centric innovation and excellence, and in sustainably positioning CBI for future growth. All actions we took in 2022 reflected this approach, and the results we delivered emphasised the merit of our robust strategy.

In recognition of our customers' evolving needs as technology evolves, we introduced several digital advances across the business to improve efficiencies, expedite turnaround times, and ensure CBI is agile and well equipped to respond to growing competition from non-traditional banking players.

One of the most exciting developments was our exploration of the Metaverse and Web3, and their potential for new channels and products to grow our customer base. We are proud to be the first bank in the UAE and one of the leading early adopters in the Middle East region, to have a presence in the Metaverse. Our first demonstration of a merged virtual and physical reality demonstrated the real commercial and operational benefits inherent in the future of online technology. Pursuant to this, we will continue exploring how we can tap into the emerging digital world to further benefit our customers and business.

Alongside adopting next-generation technology platforms to drive growth, we continued to enhance our existing suite of products and services. One of the highlights of the year was the launch of our exclusive, invitation-only credit card designed with state-of-art benefits for our ultra-high net worth customers, launched in partnership with MasterCard, to expand our share in this lucrative banking segment.

As the banking industry becomes increasingly competitive with more non-traditional companies vying for the same customers, we paid attention to strengthening our brand and engagement. Our growth trajectory and strategy will also include partnering rather than competing with fintech players to capitalise on the new technology, channels, products, and engagement they can deliver.

Our internal focus on organisational improvement featured the implementation of a new Enterprise Resource Planning (ERP) platform to bolster our foundation for growth. Our new ERP platform will increase efficiency by aligning our support functions and improving visibility and monitoring.

Strong financial performance

We achieved a strong financial performance in 2022 with net profit increasing by 15%, from AED 131 million in 2021 to AED 150 million. Gross loans and lending to banks increased from AED 12.9 billion in 2021 to AED 14.7 billion in 2022, representing a year-on-year growth of 14%. The Wholesale Banking Group was the main driver for these increases with its continued strategy that aims to maximize the risk adjusted returns on our capital.

Total assets have increased by 2% from AED 20.7 billion to AED 21.2 billion and our capital adequacy ratio (CAR) remains strong at 14.4%.

This strong performance would not have been possible without the Bank's relentless focus on enforcing a compliance-driven corporate culture, and ongoing commitment to comprehensive corporate governance and robust risk management. The fully compliant frameworks, policies and procedures developed over the years are faithfully implemented at every level to ensure organisational resilience, support the effective execution of our strategy, and protect the Bank and our shareholders.

We believe the continuity of our future successes require investment in customer-centric innovation and excellence, and in positioning CBI for future growth.

Building momentum across the Bank

Our Wholesale Banking Group (WBG) continued tracking its strong momentum of the previous year, returning a robust performance in 2022 driven by an aggressive asset growth strategy and a keen focus on streamlining costs.

WBG, which remained CBI's core revenue driver in 2022, reaped the benefits of a strategy of aggressive but low-risk lending, asset book growth, and maintaining its emphasis on consistently delivering superior customer experience as a key differentiation strategy.

Gross loans and lending to banks grew by 16%, thanks to our focus on new client acquisition, and deeper penetration with our existing top tier corporate client base. The loan book was reinforced by a new focus on quality core assets, accompanied by plans to dispose of our non-core assets.

Our Retail Banking Group (RBG) also delivered outstanding results, with total RBG net operating income in 2022 reaching AED 63.1 million. The business unit's strong performance in 2022 came down to strong sales and a focus on business retention, supported by additional digital offerings and product enhancements.

Also playing a part in RBG's excellent year was a focus on CBI First and Edge client segments, reducing credit provisions further through unwinding the mass segment resulting in better asset quality, and optimised channel productivity and branch performance in particular.

We were gratified by the 40.2% growth in deposits in a competitive market, and the effective management of costs and loan impairment charges. The growth in deposits provided us with higher liquidity for growing our corporate loan portfolio.

RBG introduced new user-friendly tools and options to make banking quicker, easier, and more efficient for our valued customers. These included improved digital wallet capabilities, biometric access to strengthen our mobile app's security, and additional services for our ATMs/CCDMs.

Treasury & Markets played a critical role in a year of central banks around the world rapidly increasing interest rates to tackle steep inflation. Careful management of liquidity using global trends helped WBG deliver successful results, with our Eligible Liquid Assets Ratio (ELAR) remaining well above regulatory requirements. Substantial hikes in interest rates globally raised our cost of funding and interest income from lending, which resulted in our gross interest margin increasing from 6% in 2021 to 6.6% in 2022.

Creating a differentiated employee proposition

Our expanding Emiratisation activities, combined with refining our broader talent acquisition and management strategies, remain important elements of our overall corporate strategy. We were particularly pleased with the success of our Emiratisation programme, which resulted in the percentage of Nationals in the Bank increasing from 21.7% in 2021 to 23.9% in 2022.

As well as surpassing Emiratisation targets for 2022, we were honoured by the Emirates Institute for Banking and Financial Studies, proudly receiving the "Best Engagement in Training & Emiratisation Award".

We firmly believe that excellence in customer experience can only be achieved through a highly skilled, highly engaged work force. With that in mind, our aspiration is to competitively position CBI as one of the best places to work for the talented people in the UAE. Towards this vision, we continued investing in providing an enabling environment for our people on multiple fronts, from upskilling and development programmes to our state-of-art new headquarters building in Dubai. I'm particularly proud of the innovative new healthcare cover we unveiled in 2022. Our best-in-market scheme treats all our employees alike, with everyone from new graduate joiners to the CEO receiving the same benefits and VIP treatment across a wide range of leading healthcare service providers, as well as a world class wellness programme.

Evolving around our customers' needs

In 2020, the UAE Central Bank adopted the Consumer Protection Law, which governs licensed financial institutions and requires compliance with the related Consumer Protection Standards (CPS) when handling consumer data. These improvements in policies, procedures, and practices have been fully implemented across all areas of the Bank, which have led to a substantial shift in mindset.

Our customers are entitled to secure, efficient banking that delivers incomparable user satisfaction. To this end, we established a dedicated customer experience division in 2022.

In addition, our new architect-designed headquarters in Dubai, which opened during the beginning of the year, has added to the exceptional environments we strive to provide for our customers and colleagues.

Building an innovation ecosystem

As an agile bank focused on its clients and innovation, CBI continues to explore opportunities to respond with unique offerings that cater to technology-driven changes in our customers' expectations. Adding impetus to our strategy is rising competition from emerging fintech players, who don't have the same legacy costs that traditional brick and mortar banks still face.

As a result, we are collaborating with an ecosystem of partners and suppliers to co-innovate products, platforms and processes. By partnering with emerging fintech players, we will implement much of our product development cost-efficiently and harness the benefits of collaborating in building a technology platform to plug-and-play innovative services and solutions.

We are also among the first banks to sign up to the UAE Trade Connect, which is a Blockchain-powered trade services platform to improve security and reduce fraud. As a result, our customers enjoy the vast benefits of a more secure platform and faster turnaround times.

We understand that the market and our customers' expectations are evolving fast, both on a demographic and technological level. We acknowledge that in adapting to these changing needs, a one-size-fits-all approach is no longer effective.

To be set for success, CBI will continue to invest in the best technology and people to support our customers and serve their changing needs, in our branches and across our digital channels, providing them with more customised, personal experiences.

Accelerating strategic progress in 2023

The global macro-economic environment in 2023 is likely to continue putting pressure on the banking industry generally, with high interest rates, higher inflation and slowing economic activity all impacting wholesale, retail and treasury activities. Notwithstanding this outlook, CBI is poised to continue making solid progress, thanks to robust foundations for growth and innovative strategies to acquire new customers and quality assets.

Consequently, customer experience will remain central to our focus, and we will strive for continuous improvement in all areas.

Underpinning our future success are our people and a strong corporate culture that is built around the strategy, values, and cohesion needed to deliver the best products and services. In 2023, we will engage our teams more, sharing our ethos of trust, communication, and collaboration.

We will sustain our innovation momentum, modernising technology and infrastructure across the Bank. This will include adopting robotics and automation to drive customer experience and improve channels and products as we strive for a stronger financial and operational performance.

In our wholesale and retail banking operations, new product and service offerings are planned, and we further strengthen asset quality to keep cutting risk exposures.

Acknowledgements

I wish to express my appreciation to the Central Bank of the UAE for their continued support and guidance, our shareholders, Board of Directors, our customers and other stakeholders for their continued trust in CBI and our vision for a future-ready bank.

I am also indebted to our shareholders for their ongoing support, and to our dedicated employees for their staunch commitment and dedication to our collective goals.

Ali Sultan Rakkad Al Amri
Chief Executive Officer

Board of Directors & Executive Management

Board of Directors
(as of December 31st 2022)

Mr. Saif Ali Al Shehhi
Chairman

Mr. Ali Rashid Al Mohannadi
Vice Chairman

Mr. Mubarak Ahmad Bin Fahad Al Mheiri
Board Member

Ms. Maitha Saeed Al Falasi
Board Member

Dr. Ghaith Hammel Al Ghaith Al Qubaisi
Board Member

Mr. Faisal Ali Al Tamimi
Board Member

Mr. Hamad Salah Al Turkait
Board Member

Mr. Mohamed Ali Abdullah Musabbeh Al Nuaimi
Board Member

Mr. Salaheddin Almabruk AlMadani
Board Member

Executive Management
(as of December 31st 2022)

Ali Sultan Rakkad Al Amri
Chief Executive Officer

Punit Chawla
Chief Financial Officer

Randa Kreidieh
Chief Risk Officer

Evren Altiok
Chief Operating Officer

Hashem Mohammad Ali Abu-Hanak
Chief Credit Officer

Kumar Mahapatra
Executive Vice President Wholesale Banking Group

Hassanain Ali
Executive Vice President Retail Banking Group

Tawfiq Adnan Zuwayyed
Senior Vice President Legal

Hala Rawhi Al Safadi
Vice President Corporate Secretariat
and Investor Relations

David Abraham Pije
Senior Vice President Compliance

Ziad Abdelghani
Senior Vice President Internal Audit

Giovanni Everduin
Senior Vice President Strategy and Transformation

Our Strategy

Our Strategy

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

Streamline

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

Optimise Capital Allocation

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

Strengthen Asset Quality

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

Improve Cost Efficiency

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

Focus

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

Focus on Priority Customers and Segmentation

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

Grow

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

Diversify & Increase Revenues

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

Invest in Our People and Community

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

Business Review

Business Review

Wholesale Banking Group and Treasury Markets

Wholesale Banking Group and Treasury & Markets continued tracking strong momentum in 2022, returning a robust performance driven by an aggressive asset growth strategy and a keen focus on streamlining costs.

Wholesale Banking Group in 2022

WBG was the core revenue driver for CBI in 2022, with its performance attributed to the continuation of the strategy adopted in 2021 of aggressive and low-risk lending, asset book growth and a focus on customer experience.

Gross Loans & Lending to Banks showed a very pleasing 16% year-on-year (YoY) increase, with our emphasis remaining on lower risk assets and a focus on extending our reach regionally, extending our asset base to Jordan, Egypt, and Oman, among others. We set out this year to strengthen our loan book by concentrating on our core assets, and accordingly we have been exploring options to dispose of our non-core assets.

Meanwhile, our Treasury & Markets operation continued to build on the foundations laid in 2021, incorporating global trends to maintain liquidity. Around the world, central banks including the UAE Central Bank, increased interest rates substantially to curb a significant rise in inflation, however inflation trends remained high at the end of the year and global economic growth began slowing. The increase in global interest rates raised the Bank's cost of funding and interest income from lending, which resulted in our gross interest margin for WBG going from 5.1% in 2021 to 5.8% for the 2022 financial year.

Strong revenue growth

Net operating income from Wholesale Banking was AED 358.7 million in 2022. While revenue growth was excellent during the year, profitability could have been even better, mainly due to our activities to improve our asset quality.

Deepening customer relationships

Across the Group, customer engagement has always been a core focus, and 2022 was no different. We continued to provide excellent support to our clients, delivering dedicated and personalised service, crafted around our deep understanding of their needs.

During the year, we introduced new channels to improve engagement and our client experience, broadening the number of events and other activities to further deepen customer satisfaction, our most integral differentiating factor.

Outlook for 2023

Macro interest rates and inflation are expected to remain high in 2023, consequently we will maintain our activities to mitigate these impacts.

We will continue our efforts to strengthen our balance sheet, ensuring that we keep to the momentum in our aggressive growth strategy to drive healthy income growth.

Our cost-efficiency strategy will continue into 2023, while new growth-oriented strategies will be developed to find new income streams based on further improved digitisation and cost reductions.

We have also started planning new Treasury & Markets products that will be launched in 2023, as we set goals to become a core profit centre for the group. Accordingly, we will also be considering more investments and customer products to help us achieve our profit targets.

Retail Banking Group

CBI's Retail Banking Group delivered an impressive performance in 2022, unlocking value through our ongoing transformation strategy by launching innovative offerings, driving digitisation and enhancing customer experience to maintain both healthy revenue and net income.

On the back of stronger net income, solid sales acquisition numbers, and robust retention strategies, our Retail Banking Group (RBG) maintained its positive trajectory to achieve our targets for the year, making a significant net contribution to the Bank's overall financial results.

Supporting our robust showing in 2022 were multiple initiatives to advance our transformation into a more modern bank, adopting technology-driven features to improve customer experience and satisfaction. Our exceptional team complemented our new digital offerings and product enhancements, applying customer-centric strategies to secure new contracts with large regional and global companies.

Our ongoing transformation programme delivered these superb results ahead of time and expectations, with total RBG net operating income in 2022 reaching AED 63.1 million.

RBG credit provisions were lower year on year resulting in net recoveries of AED 10.5 million in 2022. RBG CASA ratio was 45.8%.

Positive net income was the outcome of a successfully focusing on CBI First and Edge clients, reducing provisions with better asset quality, restructuring our organisation structure, and optimising branch performance.

These actions were accompanied by a 40.2% (AED 1.86 billion in December 2021 to 2.6 billion in December 2022) growth in deposits, and tighter management of losses and provisions.

Digital initiatives and innovation advancing transformation

CBI has proudly spearheaded technology-driven innovations as we continually strive to provide excellent customer service and satisfaction Our approach recognises that rapid advances in technology have raised customers' expectations about the services they expect and want, and accordingly, our vision is to meet and even anticipate these evolving needs.

In 2022, this approach gathered momentum with the introduction of new user-centered options to make banking quicker, easier, and more efficient for our valued customers.

We successfully launched our CBI credit cards for use in Samsung Pay and Google Pay digital wallets, with further plans to expand this capability. We also enabled biometric access to our mobile banking app to extend its security features and enhance convenience.

Advanced teller machines were installed at our Sharjah Offices Electronic Banking Unit (EBU) to improve customer experience, and polymer notes in denominations of AED 5, AED 10, and AED 50 were introduced during the festive season and dispensed by CBI ATMs to support gifting to children during festive periods.

RBG launched its auto loan digital portal in January 2022 to pre-approve car loans within minutes. As a result, pre-approvals were significantly reduced to three days, providing customers with a seamless experience.

Across the entire retail operation, we introduced substantial improvements to turnaround times, including digitising the process to enhance our customers' experience.

One of the most exciting developments in 2022 was our foray into the Metaverse, being the first UAE bank to harness the confluence of Web3 and the Metaverse with conventional products, services, and channels. As an early explorer and adopter of new ways of delivering banking to customers, CBI will establish a clear market leadership position in the Metaverse. We aim to be the bank of choice to a new generation of customers who are expanding virtual reality (VR) experiences beyond gaming and into other aspects of life, including financial services.

We are taking our customers on this journey to demonstrate the tangible potential of this exciting new channel, while also using their engagement to shape relevant Metaverse-driven solutions, products, and services.

We launched our first public Metaverse activation in October 2022 at GITEX Global in Dubai in partnership with popular burger chain Pickl. We showcased a bank customer's Metaverse avatar ordering and paying for a virtual reality burger from Pickl which then delivered the physical item to the customer. We see enormous potential for this rapidly evolving technology, particularly when it comes to appealing to the digital native generation of banking clients.

Launching groundbreaking products

The 2022 year was prolific in terms of launching new products and enhancing others, particularly in our card portfolio which contributed to the increase in net profit in our financial results.

In line with our pledge to lead customer service in the UAE, we launched the World Elite Exclusive Credit Card, a card-by-invitation program in partnership with MasterCard. The card, expressly designed for ultra-high net worth individuals, offers many unique, outstanding features, including personal delivery to the new cardholder by CBI's CEO or its Head of RBG. We will keep adding to the card's benefits to expand our market share in the competitive card market.

Our card business also collaborated with the prestigious Emirates Skywards brand to enhance its product offering, and new easy payment plans were added to our Emirates Airline partnerships.

Enhancements were made to several other products as part of our continuous improvement process to adapt to market changes and to enhance our competitiveness. Alongside adding new features to our cards, we made changes to our home, car, and personal loan products. We also introduced attractive interest rates on our savings and deposit products.

Maintaining momentum in 2023

At CBI, our progress never stops, consequently next year we have several initiatives planned, including revamping our CBI First Credit Card, launching private banking products designed specifically for Emiratis, and introducing new Islamic financing products.

We are exploring partnerships with fintech companies and others to develop products for Generation Z customers, as well as considering new products and distributions channels for other customer segments.

Finally, we will remain vigilant about cost optimisation and ensuring our teams are appropriately structured to improve efficiencies.

Metaverse Case Study

CBI blazes a trail into the Metaverse

A new frontier in a transforming banking landscape

At CBI, we have felt the seismic shifts in banking over recent years, as customers' expectations change in tandem with technology advances and non-traditional fintech players leverage rapidly evolving digital channels and platforms.

We recognise that to thrive in a dynamic landscape of competition from new players and an explosion of channels to reach customers, we must embrace nascent Web3 and Metaverse technologies. Our strategic goal is to find the best ways to leverage physical and digital realities to enhance a differentiated customer experience and secure a distinctive competitive edge.

We believe that the confluence of Web3 and the Metaverse with conventional products and services is the future of banking. As an early explorer and adopter of new ways of delivering banking to customers, CBI will establish a clear market leadership position in the Metaverse. We aim to be the bank of choice to a new generation of customers driving the expansion of their augmented and virtual reality (AR/VR) experiences beyond gaming and into many other aspects of life, including financial services.

Spearheading the Metaverse movement

In April of this year, the UAE launched its Digital Economy Strategy, which aims to double the contribution of the digital economy to the UAE's gross domestic product within 10 years, while also enhancing the position of the UAE as a hub for digital economy in the region and globally.

Following that, in July, the Emirate of Dubai approved a forward-thinking strategy to become one of the world's top 10 Metaverse economies and a global hub for the Metaverse community.

As a financial services pioneer in this energising environment, CBI began our journey into the Metaverse in July as well, to understand how it could help traditional banks remain relevant and competitive in an increasingly digitally enabled world.

CBI is the first bank in the UAE and one of the first globally to experiment with this exciting new technology. We are also taking our customers on this journey to expose them to its tangible potential and simultaneously using their engagement to shape relevant Metaverse-driven solutions, products, and services.

Making the Metaverse real to customers

We launched our first public Metaverse activation in October at GITEX Global in Dubai. By hosting popular burger chain Pickl at our Metaverse location, we showcased a live physical-to-digital-to-physical ('phygital') experience where a bank customer's Metaverse avatar could order and pay for a virtual reality (VR) burger from Pickl, which would deliver the real thing to the customer in physical reality.

Our GITEX Global activation demonstrated that as customers start engaging more in the virtual reality space, companies with a location in the Metaverse can generate real income from delivering solutions and products both virtually and physically.

There is more to the Metaverse than new platforms for products and services. CBI has broken new ground by recruiting talent through our Metaverse location. With these and other possibilities we are currently exploring, CBI is gearing up to full interoperability once the Metaverse achieves a critical mass of users and interactions.

Probing the far reaches of the Metaverse

Our iterative experiments with the Metaverse will ensure we have the institutional capability and knowledge required for the future. We are developing deep insights into different communities emerging in the Metaverse, understanding their requirements and friction points to guide our design of relevant use cases. Bolstered by our growing institutional knowledge of the Metaverse, we will continue to evaluate different approaches and engagements to cater to different audiences and user segments.

Web3 & the Metaverse

Web3 is widely acknowledged to be the next generation of the world wide web, and expected to incorporate decentralisation, blockchain and token-based economics

The Metaverse is immersive virtual space where users interact with each other in and with a computer-generated environment that comprises the internet, augmented reality and virtual reality.


CBI


CBI
CBI
ATM

Our People

Our People

CBI's resilient performance in 2022 was delivered by committed employees who demonstrated determination in embedding new ways of working and responding to emerging challenges, while remaining focused on delivering growth, adopting new technology and improving customer experience every day.

Strong leadership setting the pace for growth

In 2022, our workforce benefited from the astute guidance of our experienced executive management team. Our leaders safely and prudently navigated through another year of uncertainty, distinguished by a dramatic rise in global interest rates that has led to ramifications for the Bank and its markets.

With their combined 200-plus years of experience in providing wise, stable direction, our executive team has an enviable reputation which helps the Bank to attract quality talent. Our directors also play a valuable role in progressing accomplished and ambitious employees into senior and second-line leadership roles, ensuring an excellent pipeline of future leaders for CBI and the continuity of legacy knowledge that is essential to our success.

In 2022, we contributed to their already-impressive skills and competency with the addition of a new executive coaching programme to enhance the flexibility and strength required in a rapidly changing environment.

Making CBI an even greater place to work

CBI prides itself in providing employees with market-leading benefits to attract and retain quality talent, to show appreciation to our teams, and to support a strong corporate culture.

We gauge our rewards and other offerings against the market to maintain our competitive position, improve development opportunities, and ensure we offer a superb office environment and excellent work-life balance.

This year we expanded our Total Rewards Framework, which launched in 2021, moving from a financial focus to a full rewards programme for all employees. This decision was supported by a detailed industry benchmarking exercise to validate the scheme against those offered by competitors. Simultaneously, we adjusted grading, compensation, and job titles to accentuate our appeal as a leading employer in the banking sector.

We are particularly proud of our improved medical insurance benefit, which regards all employees as VIPs who are entitled to the same benefits, regardless of position and seniority. We believe that CBI's medical insurance benefit is now among the best in the market, and a compelling advantage in our efforts to recruit talent and ensure the wellbeing of all our people.

In 2022, we also enhanced existing programmes to expand the skills and knowledge base of our employees to equip them for excellence in a dynamic industry. We added more globally recognised qualifications and certifications in areas critical to the development of our people and the success of the Bank. Additionally, we extended a LinkedIn Learning license to every employee to help them own their development journey. Our aim is to engender a mindset of learning and continuous improvement by providing staff members with the tools to invest in themselves and their careers.

Developing our Emirati talent

Emiratisation remains a priority in our overall people management strategy, and we are pleased to report that we surpassed our targets set for 2022. Guided by the UAE's and the UAE Central Bank's mandates for employing Nationals, we have grown the percentage of Emiratis in our employ to 23%.

In 2022, we welcomed 13 new Emirati graduates who will complete a comprehensive training and certification programme to prepare them for critical roles in the Bank. Our Emirati-focused development activities have earned us recognition from the Emirates Institute for Banking and Financial Studies (EIBFS), which is the UAE's sole provider of specialised knowledge and enhanced learning for the local banking and finance sector.

The year under review also included substantial investment and effort in upskilling and developing our existing Emirati employees as part of our ongoing contribution to the nation's exceptional talent pool. A group of our Emirati talent have been part of Leadership and Management Development programmes with Harvard Business School and IESE Business School, two globally leading business schools. Such programmes are designed to develop future Emirati leaders for CBI and the UAE banking industry.

New ways of working and harmonious workplaces

Following the COVID-19 pandemic, CBI adopted a hybrid working mode, and in 2022 it was expanded to provide our people with further flexibility, supported by excellent infrastructure to ensure they can work anywhere, at any time.

Additionally, we are the first (and only) bank in the UAE to adopt a four-and-a-half day working week in line with the UAE's changes to weekend days at the beginning of 2022. Our decision to prioritise our employees' work-life balance has raised engagement, job satisfaction, performance, and productivity. The new benefit has also contributed to CBI's corporate culture, with our people recognising the tangible changes we are making to promote their well-being.

Building a great place to work also means providing physical spaces that contribute to a sense of belonging and employee satisfaction. With this in mind, we relocated to our new headquarters in an exclusive neighbourhood in Dubai during the year. Our architect-designed premises was created to deliver an invigorating environment with every facility designed to help our people feel comfortable, engaged, and productive. In early 2023, we will open an office in Sharjah of the same quality and design, with numerous facilities and services to support our teams.

Human Resources, which is a core support function at CBI, implemented various technology improvements during the year to improve efficiency. A dynamic self-service portal was launched to provide employees with the tools to efficiently manage many of their own day-to-day HR requirements.

In an exciting development – and a UAE first – our HR team used our branch in the Metaverse to interview and hire an Emirati employee. In line with the Bank's over-arching focus on innovation, we will continue to explore the potential of emerging digital technologies such as the Metaverse to enhance our hiring and other HR activities.

We launched our revamped Employee Engagement Survey, which was conducted by a well-regarded, innovative and independent third party applying the latest technology and scientific understanding. This initiative was implemented to help us better understand our people engagement and employee experience. The results of the survey will be used to help us create focused action plans for implementation.

Continuing the trajectory in 2023

As critical assets in our current and future successes, our people will remain a core priority in CBI's overarching strategy. As part of a Group-wide programme to embrace the best technology to deliver our goals, our people will similarly be provided with the appropriate tools to boost their efficiency, impact, and engagement.

Equally importantly, we will keep reinforcing our positive culture with new ways to support, reward, and develop our valued employees.

Our newly established employee engagement survey gives us an important new channel to listen and learn from our people, and to help us craft improvements. In the coming year, we will harness this valuable feedback to cultivate leadership at all levels and drive progress in the evolution of our culture of trust, customer focus and accountability.

Our people in numbers

At year-end 2022, we employed 443 people across our operations, comprising of 36 nationalities, 23% of which are Emirati.

Male and female colleagues accounted for 56% and 44% of our workforce, respectively.

At year-end 2022, we employed 443 people across our operations, comprising of 36 nationalities, 23% of which are Emirati.

Corporate Governance

Corporate Governance

1. Chairman's Statement

Commercial Bank International ("CBI") strongly believes that sound implementation of corporate governance in line with international best practices and local regulations and implementing them within the Bank's culture complements and significantly helps its long-term business success. This success has been the direct outcome of CBI's key business strategies, including the commitment of the Board to the quality, integrity and transparency of its financial reports. In addition, the Board of Directors and the Executive Management of CBI believe that corporate governance is an essential element to enhance shareholders' trust, particularly minority shareholders and stakeholders, by increasing the level of transparency of the ownership and control, and the implementation of effective monitoring systems for strategic business management.

The Board ensures that the functioning of CBI complies with the principles of corporate governance and also promotes the institutional values, policies and other internal procedures that apply to all members of the Board, Executive Management and employees of CBI.

CBI keeps its policies under regular review, particularly in the areas of corporate governance, risk management, internal controls, compliance, internal audit, financial reporting, external audit and outsourcing, to ensure that they meet all relevant regulatory requirements. Updates and amendments to existing policies are approved by the Board or concerned Board committee, where changes are required or considered appropriate to reflect new or amended regulations.

1.1 Objective

In order to achieve CBI's objectives, the Board of Directors, the Executive Management and the employees of CBI commit themselves to the governance principles and best practices as detailed in the CBI Corporate Governance Manual which includes Board and Board Committees Charters, bank-wide Code of Conduct and Management Committees Terms of Reference and related Corporate Governance policies.

1.2 Applying Corporate Governance Principles

Corporate governance standards in CBI are naturally pursued in a manner consistent with the applicable national laws, regulations and codes. CBI is subject to the regulations issued by the Central Bank of the United Arab Emirates (CBUAE) and the Securities and Commodities Authority (SCA), as well as guidelines and international best practices issued by the Basel Committee on Banking Supervision (BCBS) and the Organisation for Economic Cooperation and Development (OECD).

CBI follows a comprehensive set of corporate governance policies and procedures within CBI. The roles and responsibilities of the Board of Directors are segregated from the functions of the Executive Management. Whilst the Board assumes the overall supervision of CBI and provides strategic direction through the approval of strategic initiatives, key policies and objectives, while the daily affairs of CBI are carried out by CBI's Chief Executive Officer (CEO) and the Executive Management Team.

1.3 The Scope

CBI's Corporate Governance program incorporates the application of wide-ranging measures of governance and contains the preparation of overall policies, procedures, manuals, organisational structure and accurate job descriptions, key performance indicators, the determination of the authorities and responsibilities, the internal and external reporting requirements and the roles, responsibilities and the Board Charter, the Board's committees and the committees of the Executive Management.

In this context, this Annual Corporate Governance Report aims to ensure a transparent disclosure of the governance practices within CBI. It embodies the values of CBI and the policies that all stakeholders must abide by. The report includes the capital structure, controls, shareholders' rights, development of the Board Charter and its committees systems, related parties' transactions policy, and the periodic review of the principles of professional conduct, in order to ensure the application of best professional practices that meet the needs and objectives of CBI.

2. The Board of Directors (Board)

The Board meets at least six (6) times a year to review and approve the annual budgets, capital expenditures, the strategic and business plans, periodic financial results and all new and renewed risk policies. Moreover, the Board regularly monitors CBI's progress towards achieving its strategic goals and objectives and recommends the necessary adjustments where applicable. As part of its duties, the Board also ensures the implementation of an internal control system, including risk management, risk appetite, compliance, financial control and internal audit.

2.1 Board of Directors Structure

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

2.2 Board Composition and Size

At the General Assembly held on 30th March 2020, nine (9) Members of the Board were elected for a period of three (3) years. In March 2021, the Board appointed Mr. Mohamed Ali Mussabah Al Nuaimi as a Board member following the resignation of Mr. Abdul Rahim Mohammed Al Awadhi and his appointment was ratified at the General Assembly meeting held on 22nd March 2022. On 19th December 2021, Mrs. Fareeda Ali Abulfath resigned from the Board of Directors and Mr. Salaheddin Almabruk AlMadani was appointed on 25th April 2022 as her replacement. As of 31st December 2021, there is one female representative in the Board of Directors of CBI (Ms. Maitha Saeed Al Falasi).

Name	Nationality	Position/Category	Brief Profile	Date of Appointment
1 Mr. Saif Ali Al Shehhi	UAE	Chairman Independent	Mr. Saif holds a BA in Management & Technology from the Central of New England College Worcester, USA. He held various Board and executive management roles in Aafaq Islamic Finance, National Bank of Abu Dhabi and Central Bank of UAE.	26th July 2020 Chairman as of 2nd November 2020
2 Mr. Ali Rashid Al Mohannadi	Qatar	Vice Chairman Rep. of QNB	Mr. Ali holds a BSc. in Computer Science. He is the Executive General Manager and Chief Operating Officer of QNB and Member of the Board of Directors of QNB Tunisia, QNB Turkey and QNB Alahli (Egypt).	30th March 2020
3 Mr. Mubarak Bin Fahad Al Mheiri	UAE	Member Independent	Mr. Mubarak holds an MBA in Strategic Management from Birmingham, UK. He is an entrepreneur with various businesses in the UAE and sits on the Board of Seera Investment Bank and Al Naeem Holding.	30th March 2020
4 Mr. Mohamed Ali Musabbeh Al Nuaimi	UAE	Member	Mr. Mohamed holds a BA in Business Management from Newbury College, USA. He is the Chairman of RAK Chamber and Board Member of RAK Properties.	24th March 2021

Name	Nationality	Position/Category	Brief Profile	Date of Appointment
5 Dr. Ghaith Hammel Al Ghaith Al Qubaisi	UAE	Member Independent	Dr. Gaith holds a PHD in Business Management from Cambridge International College and a member of the National Consultative Council in Abu Dhabi. He sits on the Board of Al Ain Al Ahliya Insurance Company and Al Gaith Holding and runs Makaseb Islamic Financial Services.	30th March 2020
6 Ms. Maitha Saeed Al Falasi	UAE	Member Independent	Ms. Maitha holds an Executive MBA in Business Leadership from London Business School and runs her own Art Management Company. She held various roles in Dubai International Financial Center in the Asset Management field handling Arts and other Financial Investments in addition to being a Board Director for 3 subsidiary companies.	30th March 2020
7 Mr. Faisal Ali Al Tamimi	Oman	Member Rep. of QNB	Mr. Faisal holds an MBA from the University of Liverpool, UK. He is the Country General Manager of QNB Oman.	30th March 2020
8 Mr. Hamad Salah Al Turkait	Kuwait	Member Rep. of QNB	Mr. Hamad holds a BSc. in Computer Systems from Bradley University, USA. He is the Head of Corporate & Institutional Banking – QNB Kuwait.	30th March 2020
9 Mr. Salaheddin Almabruk AlMadani	Qatar	Member Rep. of QNB	Mr. Salah holds BSc. In Accounting and Finance from the American University in Sharjah. He is currently the Head of Regional Credit Risk in QNB Group. He is also a Bord Member in QNB Tunisia.	25th April 2022

2.3 Board Responsibilities and Fiduciary Duties

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

2.4 The Chairman and Vice Chairman of the Board

The Chairman is responsible for heading the Board Meetings and ensuring the proper functioning of the Board in an appropriate and effective manner, including timely receipt by the Board Members of complete and accurate information. He approves the agenda of every meeting of the Board taking into consideration any matter proposed by any other Board Member. This task may be delegated by the Chairman to the Vice Chairman or any other Board Member, but the Chairman remains responsible for the proper discharge of this duty by the said Board Member. The duties of the Chairman, in addition to the provisions of the Board's Charter, also endeavour to encourage all Board Members to fully and effectively participate in dealing with the affairs of the Board for ensuring that the Board is working in the best interest of CBI in addition to ensure effective communication with shareholders and the communication of their opinions to the Board.

2.5 Company Secretary

The Company Secretary is entrusted to work with the Chairman of the Board, the Chairpersons of each Board Committee and the Executive Management to ensure implementation of proper and effective corporate governance within the Bank. The Company Secretary is also responsible to record, coordinate and register all the Board/ Board Committee meetings, in addition to keeping custody of records, books and reports communicated to the Board. The Company Secretary's functions include the distribution of information and coordination among Board Members and between the Board and the respective members of the Executive Management to ensure the timely access of Board Members to all minutes of meetings and the implementation of the resolutions of the Board and the recommendations of its respective Committees.

Mrs. Hala Al Safadi was appointed by the Board as the Company Secretary of CBI on 7th April 2020 to date.

2.6 Board Meetings

In 2022, the Board of Directors held six (6) meetings:

Board Member	20th January	24th March	24th March	27th July	25th October	12th December
Mr. Saif Ali Al Shehhi	√	√	√	√	√	√
Mr. Ali Rashid Al Mohannadi	√	√	√	x	√	√
Mr. Mubarak Ahmad Bin Fahad Al Mheiri	√	√	√	√	√	√
Mr. Mohamed Ali Musabbeh Al Nuaimi*	√	√	√	√	√	√
Dr. Ghaith Hammel Al Ghaith Al Qubaisi	√	√	√	√	√	x
Ms. Maitha Saeed Al Falasi	√	x	√	x	√	x
Mr. Faisal Ali Al Tamimi	√	√	√	√	√	√
Mr. Hamad Salah Al Turkait	√	√	√	√	√	√
*Mr. Salaheddin Almabruk AlMadani	NA	NA	NA	√	x	√

*Mr. Salaheddin Almabruk AlMadani was appointed on 25th April 2022.

2.7 The Committees of the Board

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

Below is a summary on the composition, duties and the working mechanism of these committees:

Board Audit Committee (BAC)

The Audit Committee monitors the quality and integrity of CBI's accounting policies, financial reporting and disclosure, the soundness of the internal controls framework, compliance with legal and regulatory requirements, independence and qualifications of the external auditors and performance, output and reports submitted by the internal audit function. The Committee obtains explanation from Management and Internal Audit Department and external auditors about the functioning of the control mechanisms within CBI and oversees special investigations, as and when needed.

Membership

Name	Position	Attendance
Mr. Mohamed Ali Al Nuaimi	Chairperson	5/5
Mr. Hamad Al Turkait	Vice Chairperson	5/5
*Mr. Salaheddin AlMadani	Member	3/5

The Committee held five (5) meetings during the year 2022.

Board Risk Committee (BRC)

The Board Risk Committee reviews and endorses the risk management strategy, risk management and compliance frameworks and policies, risk appetite profile and risk concentrations and trends. BRC oversees and evaluates the monitoring process performed by Management Risk Committee and directly oversees the Compliance and Risk functions.

Membership

Name	Position	Attendance
Mr. Mubarak Bin Fahad Al Mheiri	Chairperson	4/4
Mr. Faisal Ali Al Tamimi	Vice Chairperson	4/4
Dr. Ghaith Hammel Al Ghaith	Member	3/4

The Committee held four (4) meetings during the year 2022.

Board Credit Committee (BCC)

The Board Credit Committee (BCC) appointed by the Board and responsible for taking lending decisions within the delegation authority set by the board and recommended by the management (Internal Credit Committee). BCC oversees CBI's credit portfolio, review credit process, procedures and policy in order to insure in-boarding high quality credit profile. BCC is responsible to guide CBI's core lending operations by supervising and renewing overall customers credit, inter-group investment exposures and portfolio concentration while reviewing credit portfolio including watch and non-performing loans periodically.

BCC should recommend all credit proposals requiring Board approval and approve/recommend actions to be taken on impaired loans in line with the delegated limits and reviews the status of the pending litigation matters on a regular basis.

Membership

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

The Committee held four (4) meetings during the year 2022.

Board Nomination and Remuneration Committee (BNRC)

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

Membership

Name	Position	Attendance
Mr. Saif Ali Al Shehhi	Chairperson	3/3
Mr. Ali Rashid Al Mohannadi	Vice Chairperson	3/3
Mr. Mubarak Ahmad Fahad Al Mheiri	Member	3/3

The Committee held three (3) meetings during the year 2022.

Board Executive Committee (BEXCO)

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

Membership

Name	Position	Attendance
Mr. Ali Rashid Al Mohannadi	Chairperson	2/2
Mr. Saif Ali Al Shehhi	Vice Chairperson	2/2
Mr. Mohamed Ali Alnuaimi	Member	2/2
Ms. Maitha Saeed Al Falasi	Member	2/2
Dr. Ghaith Hammel Al Ghaith	Member	1/2

The Committee held two (2) meetings during the year 2022.

2.8 Assessment of the Board and its Committees

An internal assessment was carried out of the CBI Board as a whole, its committees, and individual members as per the Corporate Governance Standards issued by the Central Bank of the UAE in September 2019.

3. CBI Executive Management

Mr. Ali Sultan Rakkad Al Amri is the Chief Executive Officer ("CEO") of CBI. He is a versatile banker with over 21 years of financial services experience across various senior management roles with leading local and foreign financial institutions. He started his career at CBI as a Senior Corporate Officer in 2000, then spent the next eight years working with banks such as Emirates NBD, as a Manager in Corporate Banking. He was also a Senior Relationship Manager at Barclays, and the Head of Business Development at Noor Islamic Bank, prior to returning to CBI in 2010 as the Chief Wholesale Banking Officer appointed as acting CEO in 2019 before his confirmation in 2020. He received Executive Education in Management from IESE Business School in Spain. He also holds an MBA from the University of Jordan and completed his bachelor's degree in marketing from Ajman University's School of Business.

The CEO is assisted in his duties by a specialised and highly qualified team from the Executive Management. Ten (10) Heads of Department report directly to the CEO: Chief Risk Officer; Chief Financial Officer; Chief Operating Officer; Executive Vice President Wholesale Banking; Executive Vice President Retail Banking Group; Senior Vice President Compliance; Senior Vice President Strategy and Transformation and Senior Vice President Legal. The Senior Vice President Internal Audit and the Vice President Corporate Secretariat and Investor Relations are part of the Executive Management Committee and report administratively to the CEO.

CBI's Executive Management is fully aware of its role in terms of corporate governance through its commitment to implementing the legislative requirements and the Board's instructions in a way that strengthens the control environment in the various processes and banking activities; this includes determining the deviations from the objectives, ensuring the convergence of operations to achieve the desired goals, and implementing corrective actions when required.

Executive Management is also committed to assessing the behaviour of individuals and organisational units through the development of effective internal controls, which enhance the monitoring of business performance and risk measurement. In addition, supplementary controls have been implemented, such as incremental audit checks, segregation of duties, and restriction of powers, in addition to the implementation of limits on all banking operations through the adoption and monitoring of an authority matrix. The CEO relies on a number of multi-function internal committees in the execution of his functions.

CBI has ten (10) specialised committees at the management level. The Committees' meetings are held if a quorum of majority of the Committee Members is achieved, including the Chairman of the Committee. If any member is absent, a senior representative must be nominated to attend the meeting.

A summary of the tasks of the various committees is highlighted below:

3.1 Executive Management Committee

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

1	Chief Executive Officer	Chairperson
2	Chief Financial Officer	Member
3	Chief Risk Officer	Member
4	Chief Operating Officer	Member
5	Chief Credit Officer	Member
6	EVP Wholesale Banking	Member
7	EVP Retail Banking	Member
8	SVP Legal	Member
9	SVP Compliance	Member
10	SVP Internal Audit	Member
11	SVP Strategy and Transformation	Member
12	VP Corporate Secretariat and Investor Relations	Member

3.2 Management Risk Committee

The Management Risk Committee is responsible for reviewing the risk management strategy of CBI and the risk control framework, evaluating the monitoring process and reports CBI's annual CBUAE and ICAAP regulatory requirements and compliance-related programmes that due to its size and complexity are jointly owned by second line functions (e.g. the embedding of consumer protection regulation during 2021), at the management level.

1	Chief Executive Officer	Chairperson
2	Chief Risk Officer	Member
3	SVP Legal	Member
4	SVP Compliance	Member
5	Chief Credit Officer	Member
6	Chief Financial Officer	Permanent Invitee
7	Chief Operating Officer	Permanent Invitee
8	SVP Internal Audit	Permanent Invitee
9	EVP Wholesale Banking	Permanent Invitee
10	EVP Retail Banking	Permanent Invitee
11	VP Information Security	Permanent Invitee
12	SVP Treasury	By Invitation
13	Risk Management	Secretary

3.3 Assets and Liabilities Committee

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

1	Chief Executive Officer	Chairperson
2	Chief Financial Officer	Vice Chairperson
3	Chief Risk Officer	Member
4	Chief Operating Officer	Member
5	Chief Credit Officer	Member
6	SVP Treasury	Member
7	EVP Retail Banking	Member
8	EVP Wholesale Banking	Member
9	VP Market Risk	Member
10	Head of Treasury Sales	Secretary

3.4 Central Procurement Committee

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

1	Chief Executive Officer	Chairperson
2	Chief Financial Officer	Vice Chairperson
3	Chief Operating Officer	Member
4	SVP Legal	Member
5	EVP Retail Banking	Member
6	Procurement Department	Secretary
7	SVP Internal Audit	Observer

3.5 Internal Credit Committee

Internal Credit Committee (ICC) is responsible to facilitate the effective supervision and overall control of the Wholesale Banking Group Business by reviewing overall credit risk of the customer/group at the time of onboarding and interim/ annual review of the facilities. Approved credit facilities within the authorised limit set for management up to the committee's limit delegated by the Board of Directors. ICC will review credit proposals exceeding management delegation and make a recommendation to the Board Credit Committee (BCC)/ Board Committee. ICC will be responsible to update the BCC on the facilities approved on management level and on the quality of the portfolio on a regular basis.

ICC is responsible to review and update the credit policy of the Bank on a regular basis considering the changes in applicable laws/regulation or as warranted by changing economic and/or banking conditions. ICC will formulate lending policies/procedures to improve credit quality.

ICC will act on behalf of the Board in fulfilling the following responsibilities:

- Review the credit and lending strategies and objectives of the Bank.
- Review credit risk management of the Bank including reviewing internal credit policies, portfolio limits, portfolio data/analytics and portfolio reporting.
- Review the quality and performance of the Bank's credit portfolio.

1	Chief Executive Officer	Chairperson
2	Chief Credit Officer	Member
3	EVP Wholesale Banking	Member
4	Chief Risk Officer	Permanent Invitee

3.6 Human Resources Committee

The Human Resources committee is responsible for developing HR governance and strategy in line with the Bank's overall objectives for further recommendation to the Board Governance, Nomination and Remuneration Committee as well as the Board of Directors, developing and overseeing the implementation of the approved HR strategic actions and reviewing HR related policies. In addition, the committee shall consider and decide on objections made by employees in relation to their respective annual performance appraisals, grievances in relation to disciplinary actions applied on staff and interview candidates for senior and executive roles and raise recommendations to the BNRC.

1	Chief Executive Officer	Chairperson
2	Chief Operating Officer	Vice Chairperson
3	Chief Financial Officer	Member
4	SVP Legal	Member
5	SVP Human Resources	Secretary

3.7 Internal Remediation Committee

The Internal Remediation Committee is responsible for monitoring the implementation of the recommendations and instructions of the Central Bank, regulatory authorities, decisions of the Board of Directors and recommendations and instructions issued by the Board committees. The committee shall also monitor the implementation of the internal and external audit's observations and periodically review the effectiveness and adequacy of the Bank's operational policies and procedures. As of now, most of the responsibilities of this committee are currently held by the Management Risk Committee and Compliance Committee.

1	Chief Executive Officer	Chairperson
2	SVP Internal Audit	Member
3	Chief Risk Officer	Member
4	SVP Compliance	Member
5	VP Centralised Control & Governance	Member
6	Internal Audit	Secretary

3.8 Products and Conduct Committee

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

1	Chief Risk Officer	Chairperson
2	Chief Credit Officer	Vice Chairperson
3	Chief Financial Officer	Member
4	Chief Operating Officer	Member
5	SVP Compliance	Member
6	Risk Management	Secretary
7	SVP Legal	Legal Advisor
8	SVP Internal Audit	Observer

3.9 Asset Quality Committee

The Asset Quality Committee is responsible for reviewing non-performing assets for the Wholesale Banking Group, and large exposures of retail customers. Allocating provisions in relation to non-performing assets in accordance with the Central Bank of UAE (CBUAE) regulations and Accounting/International Financial Reporting Standards and reviewing adequacy of collaterals available to the Bank in relation to the non-performing assets.

Ensure classifications of non-performing accounts internally and externally, as per CBUAE regulations/any other applicable standards.

1	Chief Risk Officer	Chairperson
2	Chief Financial Officer	Vice Chairperson
3	SVP Legal	Member
4	Chief Credit Officer	Permanent Invitee
5	EVP Wholesale Banking	Permanent Invitee
6	VP Remedial	Secretary

3.10 Compliance Committee

The Compliance Committee was established in August 2020 to meet the growing demands from regulatory authorities with regard to management by CBI of compliance matters that have a potential bank-wide impact. Additionally, it serves as a high-level forum to which matters, such as transactions, onboarding of prospective customers and reviews of existing relationships, may be escalated. The Compliance Committee also monitors progress of existing projects related to compliance.

1	Chief Executive Officer	Chairperson
2	SVP Compliance	Vice Chairperson
3	Chief Risk Officer	Member
4	VP Centralised Controls & Governance	Member
5	EVP Wholesale Banking	Member
6	EVP Retail Banking	Member
7	Chief Operating Officer	Member
8	Money Laundering Reporting Officer	Secretary

4. Internal Control System

The Board assumes ultimate responsibility for CBI's system of internal controls, whereby specific policies, guidelines and controls covering the entirety of CBI's transactions have been devised. Moreover, the determination of delegated authority limits, privileges, authorisation and related monitoring processes, are implemented with emphasis on segregation of duties and dual control. The Board is responsible for CBI's Risk Appetite Statement and suite of risk policies.

The Audit Committee is responsible for ensuring the effectiveness of the operating systems and control processes by monitoring, overseeing, and evaluating the duties and responsibilities of the Management, the Internal Audit Function and the external auditors. The Audit Committee also ensures that all major issues reported by Internal Audit Department, external auditors and regulators have been satisfactorily addressed.

CBI's Executive Management is delegated the responsibility for the overall control of these systems in coordination with the concerned Head of Departments.

The Executive Management of CBI assumes the responsibility for establishing a network of processes with the objective of facilitating a smooth and efficient workflow within all functions of CBI as well as establishing operational controls. Systems and controls are established in a manner which provides the Board with reasonable assurance that:

- Data and information published either internally or externally (including websites) is accurate, reliable, and timely.
- Actions of Board Members, Executive Management and employees are compliant with CBI's Risk Appetite Statement, policies, standards, plans and procedures, and all relevant laws and regulations of the CBUAE and the SCA.
- CBI's resources (including its people, systems, data/information bases, and customer information) are adequately protected.
- Resources are acquired and employed profitably laying special emphasis on adherence to quality and continuous improvement.
- CBI sets realistic plans, programs, goals, and objectives, which are achievable.

CBI's business and process units, the control functions and the internal audit function comprise 'the three lines of defence'. The business and process units are the first line of defence as they are expected to undertake risks within assigned limits of risk exposure and are responsible and accountable for identifying, assessing and controlling the risks of their businesses.

The second line of defence includes the control functions, such as risk management and compliance which ensure that the risks in the business and process units have been appropriately identified and managed. The Chief Risk Officer and the SVP Compliance report to the Chief Executive Officer, with unfettered access to the Board Risk Committee.

The third line of defence is the internal audit function that independently assesses the effectiveness of the processes created in the first and second lines of defence and provides assurance on these processes as well as value added recommendations to improve the process and promote best practice. The SVP Internal Audit Department reports directly to the Board Audit Committee.

4.1 Compliance Department

Compliance Monitoring and Oversight

In 2022 Compliance steadily continued to enhance its monitoring activities, assurance role and advisory role to its stakeholders. CBI has mechanisms in place to monitor and ensure proper implementation of regulatory requirements in a timely manner. During the year 2022 CBI was subject to both internal and external audits that focused comprehensively on compliance controls. Such audits were due to more detailed and changes in existing regulations and due to an enhanced level of regulatory scrutiny, following the UAE's enhancement of its supervisory efforts in tandem with the global standard-setting body Financial Action Task Force. The implementation of regulatory requirements is duly formalised and documented in CBI's compliance policies, clearly specifying the role and responsibilities of the concerned parties. Progress of compliance-driven actions are tracked via the relevant committees that gather periodically i.e., predominantly the Compliance Committee and Board Risk Committee.

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

An on-going effort is exerted to ensure compliance of new products and services initiatives, as well as development of the existing ones, that are offered by different business units and support functions. During 2022, the Executive Management continued to assist in ensuring that compliance obligations associated with a number of newly issued regulations are met, including compliance-driven projects to enhance existing processes and supported CBI's business and operations departments to provide regulatory updates and seek approvals, where required. It is worth noting that under co-ownership of Risk and Compliance, all regulations pertaining to the Consumer Protection Regulation and Standard launched in January 2021, are now embedded in the Bank's policies, procedures and systems.

Promotion of Ethical Behaviour

Among other responsibilities of the Executive Management, is ensuring that the culture within CBI reinforces the ethical behaviours and integrity, which are crucial in the banking industry. The example set by individuals at the top will always influence how the rest of the organisation behaves. CBI encourages seniors to "lead by example" and report any unethical behaviours and misconduct through various tools meeting the highest standards and best practices, including anonymous "whistleblowing" reporting. In 2022, Executive Management continued to promote awareness of the importance of everyone's obligation to observe the code of ethics and safeguard CBI's interest by reporting unethical behaviours such as, but not limited to embezzlement, fraud, corruption, bribery, conflicts of interest, customer privacy violations, discrimination, harassment, violations of laws and misrepresentation of facts. Training material relating to Code of Ethics and Conduct was refreshed in 2022 to ensure that ethical issues are top of mind for both new and existing staff. Furthermore, new training was rolled out during 2022 with a view to enhance staff's understanding of compliance, operational risk and information security risk bank-wide.

Healthy Relationship with Regulators: Openness is a Key Element of Transparency

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

Regulatory Compliance

During the year 2022, CBI performed effective, timely and proper reporting to the regulatory authorities of specific regulatory-driven obligations, comprising new data and existing data.

Compliance Department assisted in answering or supporting the handling of regulatory enquiries and inspection reports and resolving the pending issues that might led to violations or financial penalties. During the course of 2022, despite multiple challenges, the Regulatory Compliance Team was strengthened to ensure that the increased regulatory demand can be duly absorbed by the Bank. We observed a reinvigorated regulatory interest in the way in which banks report their customer-related data, especially as regards those that have a US nexus (i.e., FATCA) and those considered to be non-residents of UAE (i.e., Common Reporting Standards, "CRS"). Heightened expectations have been observed on UAE banks where such banks could now be potentially held liable for inadequately disclosed self-assessments of its customers that do not get properly challenged. Such self-assessments relate to the customer's tax position.

Additionally, pursuant to CBUAE Notice no. 1175/2022 re Implementation of CRS, and pursuant to Article 4, Paragraph 2 of UAE Cabinet Resolution (93) of 2021 (12 October 2021) CBI are now under an obligation to report violations of CRS by Account Holders or Controlling Persons to CBUAE. Accordingly Regulatory Compliance identified recalcitrant customers, issued enforcement letters against them, and reported the same to CBUAE.

International Sanctions Programs and Tools

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

During 2022 a number of enhancements have been made in relation to the efficiency and effectiveness of CBI's monitoring of transactions which may indicate potential money laundering patterns. Furthermore, the sanctions monitoring system, as well as the related embedded criteria, are regularly revisited and amended, considering the new updates and challenges in different sanctions programs and the applicable laws and regulations, taking into consideration the differences in the scope and requirements of each nature of sanctions. Note that in 2022 it has become a regulatory expectation that an independent party now periodically tests and tunes the compliance monitoring and payment screening systems. In 2022, Compliance performed a testing and tuning of its payment screening tools and the outcome was satisfactory. The AML monitoring tools testing is still ongoing

CBI is committed to ensure the on-going development, maintenance and oversight of the sanctions compliance function across the Bank. Moreover, the sanctions framework satisfies the requirement of maintaining a high-level/ restrictive monitoring system and the escalation and reporting requirements up to the Board level.

As a follow-up on 2021, non-exhaustively the Compliance Department created multiple e-learnings and bespoke trainings, with regard to Financial Crime (Anti-Money Laundering and Sanctions), a bespoke training on FATCA and CRS compliance, a bespoke e-learning on targeted financial sanctions, proliferation financing and trade-based money laundering as well as induction training to new staff through a specialised app. In relation to Consumer Protection Regulation and Standards multiple efforts were undertaken, notably a mandatory corporate video which introduces consumer protection topics to all bank staff and bespoke breakdowns of those topics into smaller, more specialised consumer protection items.

Combating Financial Crime

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

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

In 2022, next to having its Sanctions Policy, AML/CTF/KYC Policy, FATCA/CRS Policy updated, the Compliance Department continued to review and improve the Suspicious Transaction Reporting (STR) to CBUAE. Furthermore, in order to strengthen the compliance culture in CBI, a number of compliance key performance indicators were rolled out virtually to all staff which aims to drive more accountability for compliance bank-wide and which was linked to year-end deliverables.

Major highlights/accomplishments for 2022 include:

- Testing and tuning of the Bank's sanctions system.
- Risk-based actions have been planned/executed to enhance technology e.g., existing payment screening and AML-monitoring tools, new/enhanced AML scenario (e.g., modes of deposits on credit cards, TBML Monitoring, monitoring for KYC deviations, etc.) and robotics for screening of current payment and AML-monitoring tools.
- Compliance continued to enhance the transactions monitoring system and went live with a new scenario for monitoring deviation of customers transactions for their declared KYC profile.
- Compliance commenced discussion with vendor to update the current version of the AML Transactions Monitoring System, and thereafter, introduce new monitoring scenarios to monitor closely credit cards and trade-based transactions.

The SVP Compliance participates in various Management Committees, including the Compliance Committee (as Deputy Chairman), the Management Risk Committee as a voting member and routinely in other Management Committees including Internal Control Committee as a non-voting observer but a value-adding member.

Mr. David Pije assumed the role of SVP Compliance in March 2020 to date.

4.2 Risk Management Department

Risk Management Department, headed by the Chief Risk Officer, undertakes the design and implementation of the Risk framework, as approved by the Board. Risk management policies and procedures are established in order to identify, assess and monitor the risks at organisational level within the Bank's risk capacity and risk appetite. The process of independent risk oversight is a part of the strategic planning for CBI and includes business risks such as variables that may arise in the environment, technology and business.

The Risk Management Department is considered the ultimate administrative authority vested to deal with the various risk aspects at the organisational level. Risk Management Department undertakes the formulation and review of the risk management strategy, defines the risk management policies and recommends for Board approval, evaluates the activities of risk management and control mechanisms, and assesses and determines CBI's operational (including cyber security), credit, market, strategic, legal, reputational and external risks. The Risk Management Department also ensures the implementation of operational plans to monitor and manage these risks, reviews and monitors cases of fraud and operating losses, and oversees the legal disputes at all levels of CBI. In order to achieve the strategic objectives of CBI, the Risk Management Department has spent obvious efforts to strengthen the risk management environment of CBI.

Interaction of Risk Appetite with Business Strategy

The CBI risk appetite framework has been enhanced through continued progress in the development of appropriate quantitative and qualitative risk appetite measures. These measures provide a principle basis for determining and monitoring risk-based performance across the Bank as actual, forecast and stress targets. The target measures are a product of the CBI's risk appetite statement and definition that aligns directly from CBI's vision and strategy. To embed CBI's risk appetite, risk adjusted performance indicators for key business units, their segments and all of CBI's entities are calculated and distributed on a monthly basis to the Asset and Liability Committee and Executive Management. The Risk Appetite is closely monitored by Chief Risk Officer through his monthly CRO Dashboard that gets published to CEO and Board Risk Committee.

Mrs. Randa Kreidieh assumed the role of CRO in November 2021.

4.3 Internal Audit Department

Internal Audit is an independent appraisal function established to evaluate the adequacy and effectiveness of controls, systems, policies and procedures within CBI. The objectives of the Internal Audit Function are as follows:

- Review the business activities that are carried out by the respective departments within the organisation and determine whether they are in accordance with the CBI's objectives, policies and procedures and relevant rules and regulations.

- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
- Review and appraise the efficiency with which resources are employed.
- Review and evaluate governance and risk management processes.

The Internal Audit Function is accountable to the Board (through the Board Audit Committee) and:

- Provides a periodic assessment on the adequacy and effectiveness of CBI's processes for controlling its activities and managing its risks.
- Reports significant issues related to governance, risk management and internal control processes, including improvements to those processes.
- Periodically provides information on the status and results of the audit plan and the sufficiency of the internal audit resources.
- Coordinates with and provide overview of other control and monitoring functions (e.g., risk management, compliance and information security).

The SVP Internal Audit Department reports functionally to the Board Audit Committee with administrative reporting to the CEO. The SVP Internal Audit Department is appointed by the Audit Committee and submits periodic reports directly to the Audit Committee of the Board. The Audit Committee is responsible for the appointment, removal and compensation of the SVP Internal Audit Department in order to enhance the independence and objectivity of the Internal Audit function.

The Internal Audit function ensures it is free from any conflict of interest arising either from professional or personal relationships or other interests in CBI Group or related activity. In order to preserve its objectivity and independence, the Internal Audit function has no direct operational responsibility or authority over any of the activities audited and remains independent of the audited activities. Accordingly, the Internal Audit function does not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment. However, it may, if deemed appropriate by the Audit Committee, or if requested by Executive Management, review systems under development or implementation and advise on appropriate controls without prejudicing its right to subsequently audit such systems.

The internal audit function remains free from interference by any element in CBI, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. The SVP Internal Audit Department is required to disclose any such interference to the Audit Committee and discuss its implications.

On a regular basis, the Internal Audit function liaises with the Finance Department and external auditors, to ensure timely release and publication of quarterly results, as per statutory requirements.

The SVP Internal Audit Department routinely participates in various committees including, Management Risk Committee, Compliance Committee, Internal Remediation Committee and Central Procurement Committee as a non-voting observer but a value-adding member.

Mr. Ziad Abdelghani served the role of Acting SVP Internal Audit in April 2020 and assumed the role of SVP Internal Audit Department of CBI in November 2020.

5. External Auditors

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

The General Assembly evaluates the performance of the external auditors and approves their reappointment and their remuneration external auditors attend the General Assembly meeting to present their report and answer any queries raised by shareholders. In accordance with International Standards on Auditing, the external auditor conducts an audit of CBI's financial statements, quarterly and annually. The external auditor presents their reports to the Board and the General Assembly in conformity with the laws of the UAE. On 22nd March 2021, the General Assembly reappointed Deloitte & Touche for a total audit fee of AED 720,000 in addition to 3% out of pocket expenses.

6. Credit Ratings

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

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

7. Capital and Shares

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

8. Shareholding Structure of CBI

As of December 31, 2022, the shareholding structure of CBI was distributed in the following manner:

Citizenship of Owners	Individuals	Companies	Government	Total
U.A.E.	127	21	1	149
GCC	152	12	0	164
Arab	33	0	0	33
Others	19	4	0	23
Total	**331**	**37**	**1**	**369**

9. Major Shareholders of CBI

As of December 31, 2022, the following entities have more than 5% shareholding in CBI:

– Qatar National Bank 40%

– Bin Owaida family and Business 22.39%

– Mohd Omar Bin Haidar Investment 11.15%

10. Shareholders Distribution Based on Volume

As of December 31, 2022, the shareholding of CBI was distributed in the following volumes:

Share Ownership Volume	Number of Shareholders	Number of Shares Owned	Percentage of Owned Shares
Less than 50,000	285	1,372,908	0.08%
50,000 – 500,000	43	8,103,103	0.47%
500,000 – 5,000,000	18	25,185,331	1.45%
Above 5,000,000	23	1,702,721,708	98.00%
Total	**369**	**1,737,383,050**	**100%**

11. Shareholders' Rights

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

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

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

The General Assembly may hear any proposal included in the agenda by the Board, and such proposal may be presented by a number of shareholders owning not less than 5% of the total number of shares of CBI.

Shareholders have the right to vote during the General Assembly in person or be replaced by another shareholder as a proxy. The Board presents its suggestions on the dividends distribution to the shareholders in the General Assembly based on CBI's performance and results, along with the CBI's strategy.

12. Disclosure

The Corporate Governance framework within CBI ensures timely and accurate disclosure is made on all material matters regarding CBI, including the financial situation, performance, ownership, and governance of CBI. It abides by all disclosure requirements and furnishes all financial information and audit reports accurately and transparently to remain in line with international best practices as well as local regulatory requirements including financial data, reports of CBUAE, and the disclosures made to the ADX.

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

13. Board Members Dealings and Related Party Transactions

The Board and the Executive Management review on regular basis all transactions with related parties. In 2021, CBI has not recorded any single transaction with a related party that exceed 5% of CBI's capital or a trading of CBI shares by the Board members. For further information, please refer to item 42 in the Notes to the consolidated financial statements.

14. Conflicts of Interest and Insider Trading

As part of CBI's policy, all Board Members, Executive Management and insiders are aware of their legal and regulatory duties and obligations in relation to matters of conflict of interest and insider trading transactions.

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

15. Handling Customers' Complaints

Customers' complaints are a crucial source of information in order to enhance and develop CBI's activities, whereby customers are considered key to success and prosperity. Some organisations consider the customer the backbone for their survival, continuity, and success; therefore, the establishment of a Customer Satisfaction Unit that addresses their complaints has become a major and crucial objective for executive management in developed institutions. In the light of progress in legislation, laws and regulations that govern the relationship with the customers, and for the purpose of promoting and developing transparency with stakeholders, CBI has established the framework and the appropriate mechanism for an independent unit specialised in managing customers' complaints (Complaint Management).

Following the guidelines and recommendations of the UAE Banks Federation (UBF), CBI has set up a Customer Complaint Management Team to ensure complaints are expeditiously handled and to customer satisfaction as far as possible, in line with the main principles of UBF (i.e. Transparency, Fairness, Empathy, Reliability and Accessibility). Furthermore, a number of changes were made to the Complaint Management function, in accordance with the requirements pursuant to the Consumer Protection Regulation and Standard.

In applying these guidelines while resolving complaints, CBI aims to increase service quality standards and contribute to customer confidence in the banking sector within the UAE.

In 2022, 43% of customer complaints were resolved within the target of forty-eight (48) working hours. Complaints were managed on a priority basis and root-cause analysis was performed to ensure continuous improvement in CBI's processes and service levels.

Ensuring multiple access channels for customers raising complaints with a centralised approach to monitoring, managing, and resolving complaints by one team has helped in terms of understanding customer concerns and providing them with required assistance through their preferred communication channel.

16. Board's Remuneration

In March 2022, the General Assembly approved a total remuneration of AED 5,000,000 for the Board of Directors for the year ended on 31 December 2021 distributed as follows:

	CBI Board of Directors	Payout (AED)
1	Mr. Saif Ali Al Shehhi – Chairman	1,000,000
2	Mr. Ali Rashid Al Mohannadi – Vice Chairman	500,000
3	Mr. Mubarak Ahmad Bin Fahad Almheiri – Member	500,000
4	Mr. Mohamed Ali Musabbeh Al Nuaimi – Member	500,000
5	Ms. Fareeda Ali Abu Alfath – Member	500,000
6	Ms. Maitha Saeed Al Falasi – Member	500,000
7	Dr. Ghaith Hammel Al Ghaith Al Qubaisi – Member	500,000
8	Mr. Faisal Ali Al Tamimi – Member	500,000
9	Mr. Hamad Salah Al Turkait – Member	500,000
	Total	**5,000,000**

For the 2022 remuneration, the Board Nomination and Remuneration Committee submits its recommendations to the Board. Upon approval by the Board, the final recommendation for aggregate Board remuneration is submitted for approval at the upcoming General Assembly.

17. Special Resolutions raised at General Assembly

The following topic was raised as an item for special resolutions at the General Assembly Meetings held on 23rd March 2022 and 7th September 2022:

Items: **Status: Rejected**

1. In compliance with the Central Bank's requirements, based on Article (76/1) of Federal Decree Law No. 14 of 2018 regarding the Central Bank & Organisation of Financial Institutions and Activities, in enforcement of the aforementioned federal decree law, to initially approve the increase of CBI's capital through issuing (889,100,000) new shares, so that the Bank's capital becomes, after the increase, AED 2,626,500,000, provided that:

   a. The Bank's Board of Directors presents, within a maximum period of 180 days from the date that directly follows the day on which the special resolution (that initially approved the increase) is issued, an action plan for the capital increase process and the uses of the amount collected from the increase, as well as the time period for the increase process, and to determine the issue premium per (new) share, if any, approved by an independent financial advisor approved by the UAE Central Bank. The General Assembly shall consider passing a special resolution finally approving the action plan and the increase of the Company's capital through issuing (889,100,000) new shares with an issue premium (if any), for the Bank's capital to become an amount of AED (2,626,500,000).

   b. The General Assembly referred to in Item (A) above is to hear the Auditor's Report on the increase process and the Board of Director's Report in this regard.

   c. The articles of the Bank's Articles of Association are to be presented to the General Assembly referred to in Item (A) above, both before and after the amendment that has been made thereto concerning the increase of the Bank's capital to approve the amendments by a special resolution.

   d. The special resolution of the initial approval, that is mentioned in Item (1) above, shall be deemed as if has never existed in the event of expiry of the period specified in Item (A) without being presented to the Bank's General Assembly or the convening of the General Assembly within the above-mentioned period and without passing a special resolution finally approving the increase of the Bank's capital.

   e. Obtaining the necessary official approvals, from the UAE Central Bank, the Securities and Commodities Authority, of the increase of the Bank's capital and the value of the issue premium per share (if any), as well as the amendments to the Bank's Articles of Association in this regard.

2. To authorise the Bank's Board of Directors – or any person to be authorised by the Board of Directors in this regard to take any decision in the name of the Bank and any action that may be necessary for the enforcement of the aforementioned resolution, including – for example but not limited to: contacting and negotiating with any individual or entity (whether official or not), whether within the UAE or abroad, and to take the necessary decisions and actions to obtain the approvals required for the increase of the Bank's capital.

3. Approval of the recommendation of the Bank's board of directors to amend the articles of association by adding a new paragraph to Article (60) as follows:

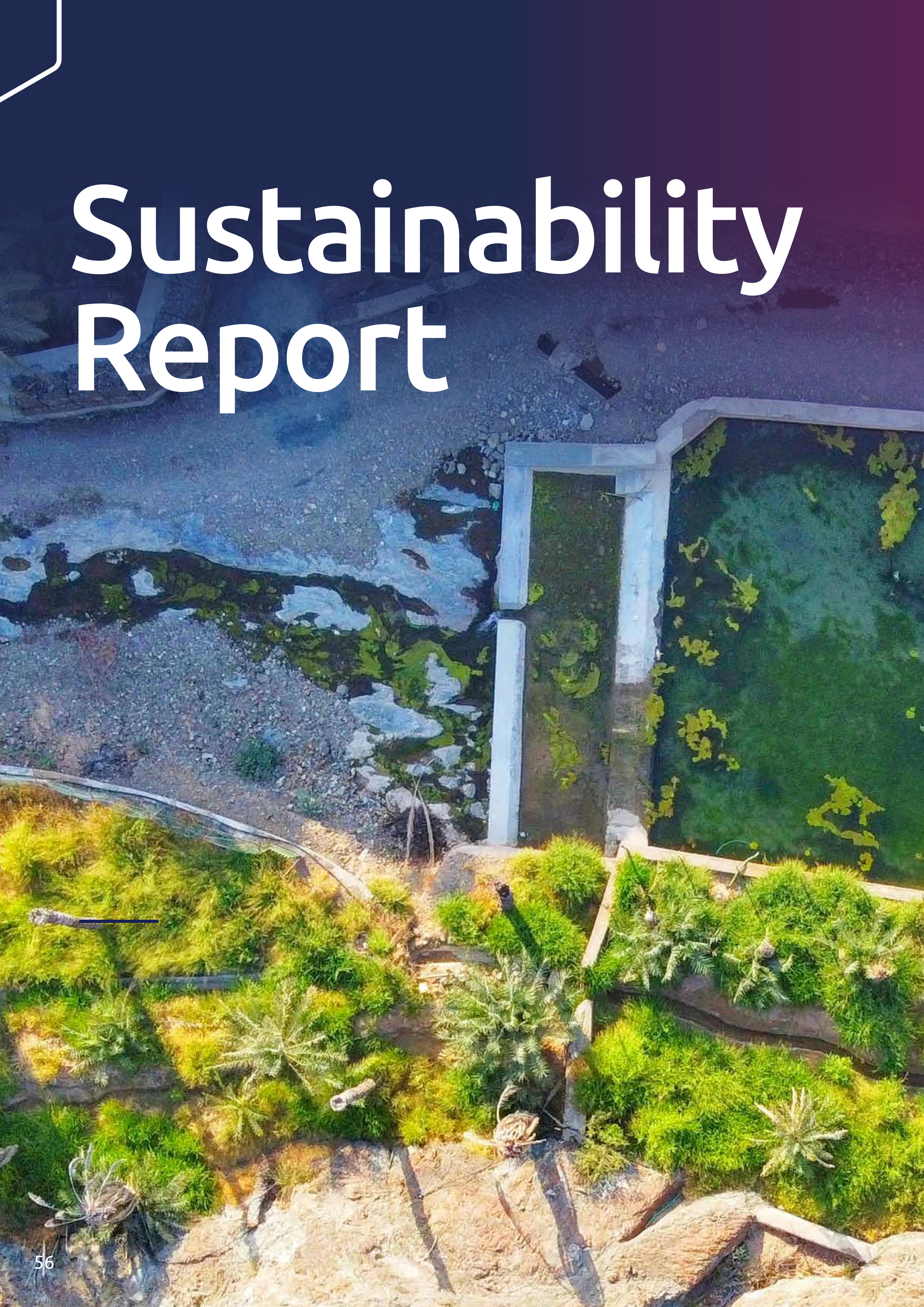
   "The Bank, its shareholders and its board of directors shall abide by all the provisions of the National Shareholding Regulation for Banks No. (18/2021) issued by the Central Bank of UAE, and in particular Article (8) thereof, and consider it an integral part of the Articles of Association."

Conclusion

CBI will continue to embrace a strong corporate governance culture through the enhancement of its existing Corporate Governance framework and policies and adoption of the latest best practices locally and internationally. This in turn will maintain and enhance the stability and soundness of the organisation and the trust of the shareholders, potential investors and all the other stakeholders despite the challenging and competitive market conditions.

As corporate governance is the business of all the financial players in the United Arab Emirates, we would like to extend our appreciation to the Central Bank of UAE, the Securities and Commodities Authority and the Ministry of Economy and Commerce, for their efforts and support to CBI in fulfilling its transitional procedures smoothly. We also would like to thank all CBI stakeholders for their attention, consideration and contributions to what CBI is today.

Sustainability Report



Welcome to Commercial Bank International's Sustainability Report for 2022 which highlights our commitment and performance towards environmental, social and governance parameters. This is our third report, and we are proud to continue our journey in becoming a more sustainable organisation. We report on our ESG and sustainability parameters in line with SCA, ADX ESG, and GRI Guidelines. This report highlights our initiatives to build reliance for our customers, employees, vendors, and communities.

Feedback

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

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

Reporting Scope and Parameters

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

Alignments

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

Comparable Data

Certain disclosures in the report showcase our performance for the years 2020, 2021 and 2022 highlighting our primary initiatives.

Assurance

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

- **Year –** This report covers our performance in the Environmental, Social and Governance chapters for the year 2022
- **Entities –** The entity included in the scope of this report is Commercial Bank International
- **Operational Boundary –** This report covers our operation in the UAE only

CEO's Introduction

Dear Stakeholders,

I am delighted to present our third sustainability report providing details on our performance on Environmental, Social and Governance initiatives for the year 2022.

The commitment to these subjects is as critical as ever, as countries across the globe continue to witness changes in the way communities, individuals, and economies function.

CBI remains dedicated to expanding our sustainability efforts in alignment with the global and national visions, which place emphasis on digitisation and environmental responsibility. We opened a new head office in Jumeirah which aligns with our 'green footprint' policies, and we have a second new office scheduled to open in Sharjah early in 2023 which will also support our sustainability credentials.

We became the first (and only) bank in the UAE to adopt a four-and-a-half day working week in line with the UAE's changes to weekend days at the beginning of 2022. Our decision to prioritise our employees' work-life balance has raised engagement, job satisfaction, performance, and productivity.

We have received strong support and encouragement from our key stakeholders to place more focus on the ESG agenda. We strive to incorporate the international and national visions into our business strategies and priorities in a drive to make our Bank more sustainable.

I would like to thank our esteemed stakeholders for demonstrating their complete trust and confidence in CBI as the Bank returns to pre-pandemic levels of operation and for extending their support throughout the year.

Myself, and the CBI team look forward to continuing to implement our economic and sustainability agendas with the essential input of our stakeholders.

Ali Sultan Rakkad Al Amri
Chief Executive Officer

Key Achievements

Environmental Performance

Our environmental performance returned to pre-pandemic levels or saw some small increases in 2022 across a number of our measurements. Some of the key environmental achievements/ developments in 2022, compared to 2021, include the following:

Total electricity consumption saw a small 2.5% increase but is back in line with pre-pandemic levels. However, electricity consumption per employee was down 9.3% on 2021.

Our emissions from the generation of purchased electricity, steam, heating, and cooling consumed increased by 2.5%.

New Group offices were opened in Jumeirah and Sharjah (January 2023), both focused on deploying green initiatives for their ongoing operations.

A number of our achievements from 2021 have been maintained or seen a small increase in 2022. These were electricity, water, and fuel consumption. These metrics were impacted as business and the normal associated practices returned to pre-pandemic levels. (e.g., returning to work in the office and levels of traffic volume).

Social Performance

We became more selective in the talent we hired, recruiting staff that fit our culture and goals. We have a total rewards system, including not only compensation but also a full suite of benefits to ensure a highly competitive package.

109 **new staff** hired in 2022

A diverse work force of 443 **full-time employees**, across **36 nationalities**

24% of our employees are Emirati (**106**)

44% of our **employees are female** (**196**)

3,916 total hours of **employee training** provided

814 employees trained, **4.8 training hours** per employee

As part of our **Paternity policy** 6 staff took leave in 2022

Financial Performance

In 2022, we continued to strongly support our customers and the growth of the UAE economy as the normalisation of our businesses and lives following the pandemic has gathered more momentum. By placing our customers at the centre of everything we do and through the dedication and hard work of our people, we have grown our balance sheet and loans significantly and increased our net profit at AED 150 million, compared to the previous year. In 2022, our capital adequacy ratio remains strong at 14.41%. We will continue to focus on our customers and help them grow their businesses and realise their ambitions.

Net profit
increased by 15% to AED 150 million from AED 131 million in 2021

Total assets
increased by 2% to AED 21.2 billion from AED 20.8 billion in 2021

Gross Loans & Lending
to banks stood at AED 14.7 billion in 2022

Customer deposits
stood at AED 12.2 billion in 2022

Improved credit quality
resulting in lower credit provisions which decreased by 36% to AED 127 million from AED 198 million in 2021

The intention is to keep this momentum and focus on our ESG agenda in 2023 and future years.

About CBI

Incorporated in the year 1991, CBI is a local UAE bank serving the leading companies and ambitious people of UAE in personal and professional finances. Our objective is to serve our clients by assisting them in prospering in their personal and professional life, in support of UAE's goal. Our aim is to connect with their consumers and address their needs by embracing diversity and inclusion. CBI is based in Dubai, with its headquarters in Ras Al Khaimah, and is publicly traded on the Abu Dhabi Securities Exchange. The majority of shareholders are UAE citizens, including the Ras Al Khaimah Government and our Board of Directors, chaired by our Chairman, Saif Ali Al Shehhi. CBI offers a diverse range of banking products and tailored financial solutions in corporate, retail, and Islamic banking, including loans, trade services, cash management, and treasury & market solutions, as well as personal account services and credit cards.

Our Vision

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

Our Mission

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

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

Customer complaints are always prioritised as customers are our primary focus. Root-cause analyses are conducted to ensure that CBI's processes and service standards are continually improved. Providing customers with multiple access channels for filing complaints, as well as a centralised approach to monitoring, managing, and resolving complaints by a single team, has aided in understanding customer concerns, and providing them with necessary assistance through their preferred communication channel.

2023 Plans

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

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

We continue to employ graduates and diploma-level individuals with the goal of further developing and increasing their skills throughout the Bank through further learning and development opportunities.

Our employees continue to be at the core of our business, and we will continue to invest in developing their skills and supporting their professional growth and wellness.

We strive to fulfil the requirements of our staff, clients, and communities across the UAE by maintaining a human-centric approach.

We continue to invest in the community and contribute to the UAE economy's growth.

Environmental Stewardship

CBI considers the environmental effect of our operations using environmental performance measures such as energy conservation, waste reduction and greenhouse gas emissions.

We have a framework in place that allows us to analyse and incorporate environmental concerns, opportunities, and problems. CBI's senior management is actively involved in assessing and approving policies and actions relating to environmental issues.

Part of our environmental goals is to continually raise awareness among all our employees, suppliers, and customers about the importance of reducing their carbon footprint by implementing initiatives like waste recycling, responsible purchasing, and increasing digital operations to encourage paperless operations. Climate change risks and opportunities must be managed not just for our supply chain, customers, and employees, but also for our business.

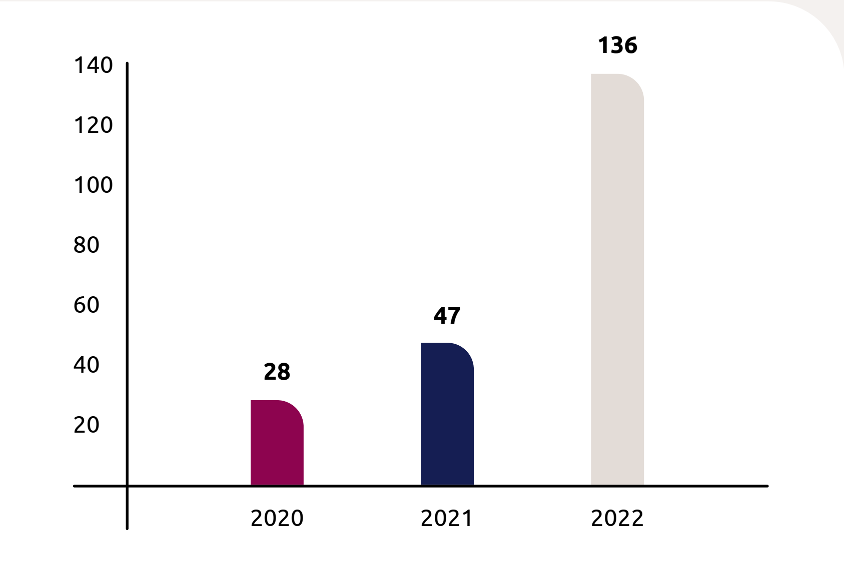
GHG Emissions

In line with the global and national efforts to attenuate global warming-induced climate change, we have made it a practice of keeping a track of our GHG Emissions and constantly undertake measures to minimise it within our operations and beyond. Following GHG Protocol Corporate Accounting and Reporting Standard to calculate our GHG Emissions:

Our **GHG emission** from direct operations under the **Scope 1** are **136 tC02** (190% increase in the year 2022 from 2021)

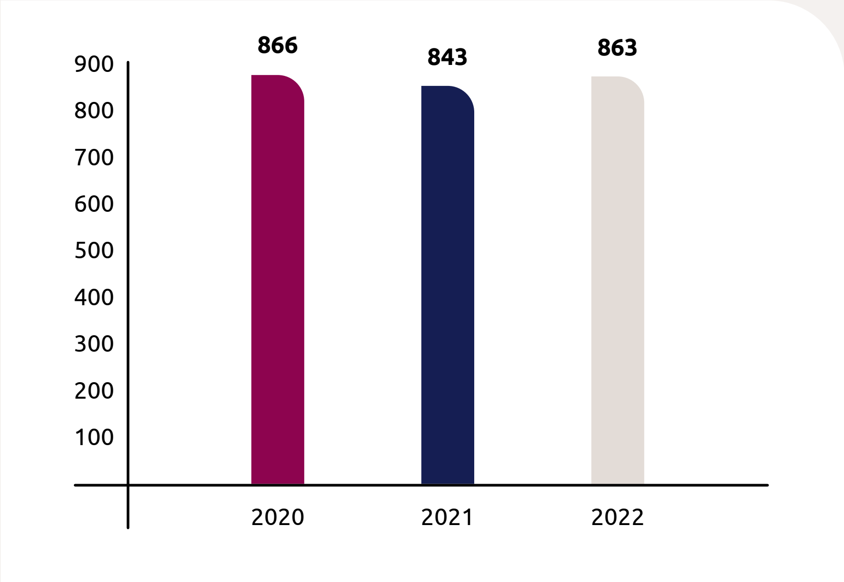
Scope 1: Direct Emissions Fuel Consumption by Vehicles Owned or Leased (tCO_2)

The increase in emissions from 2021 to 2022 is due to the return to business post pandemic with staff returning to work.



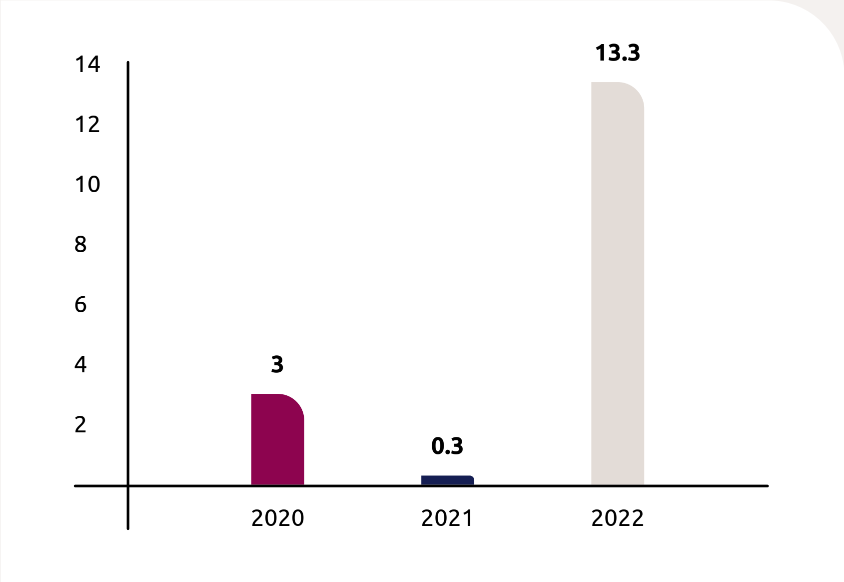
Our **GHG emission** from direct operations under the **Scope 2** are **863 tC02** (2.5% increase in the year 2022 from 2021)

Scope 2: Indirect Emissions Electricity Consumption (tCO2)



Our **GHG emission** from direct operations under the **Scope 3** are **13.3 tC02**

Scope 3: Other Indirect Emissions Air Travel (tCO2)



The significant increase in indirect emissions since 2021 is a result of the increased business travel post pandemic and in line with what was regarded as normal pre-2020.

We examined the way we manage our properties as part of our environmental commitments, with the goal of decreasing our carbon footprint and minimising our negative impact on the globe's ecosystem. Electronic bank statements were deployed across our client base and a printer rationalisation programme was executed to guarantee that all spent toner cartridges were recycled in an ecologically responsible manner. These initiatives have continued into 2022.

In recent years, we joined other concerned organisations and individuals across the world in turning down the lights to demonstrate our support for the global Earth Hour effort. Continuous monitoring and improvement of our emission performance and other environmental innovations are some of the important components of environment management managed by our employees. Our dedication to the environment extends well beyond compliance, allowing us to investigate all aspects of the environment.

Our 2023 Goals

Continue to reduce our paper consumption and take a step closer to the paperless transformation.

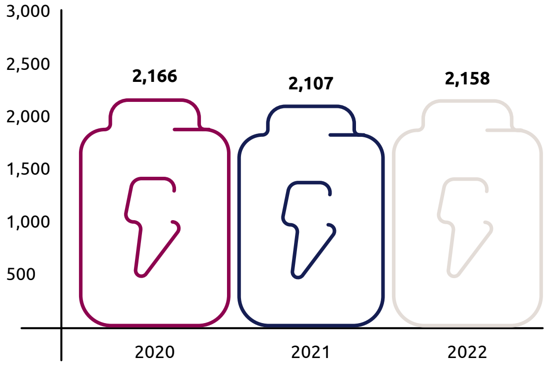
Monitor the use of natural resources and set corporate targets on reducing GHG emissions and optimising asset performance.

Plan and manage our organic waste by in-house composting awareness and systems which save organic waste from going into landfills and reduce our Carbon Dioxide (CO_2) and Methane (CH_4) emissions.

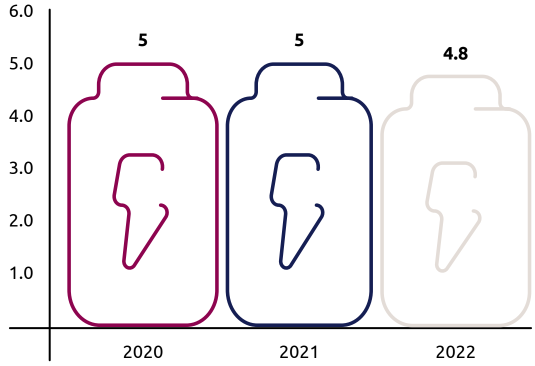
Energy, Water and Paper Consumption

We intend to restrict the environmental footprint of our business operations, blending our corporate actions and societal impacts that we account for. In the coming years, we plan to minimise our ecological impact by implementing environment-friendly policies and behaviours. We continuously aim to optimise our sustainability performance in our operations, including energy consumption, water consumption and paper recycling.

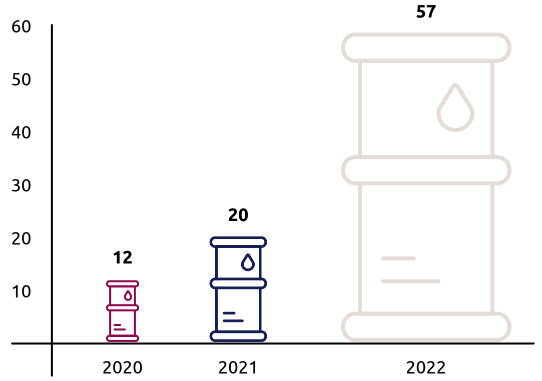
Electricity Consumption
2,158 MWh



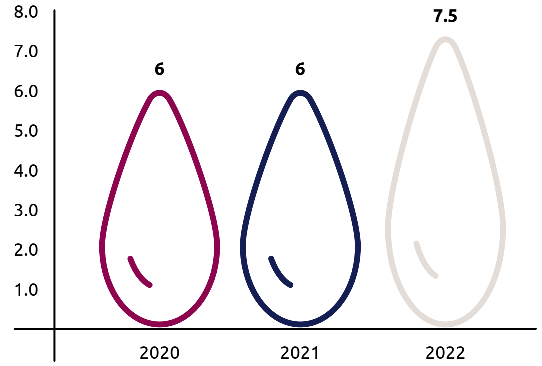
Electricity Consumption Per Employee
4.8 MWh



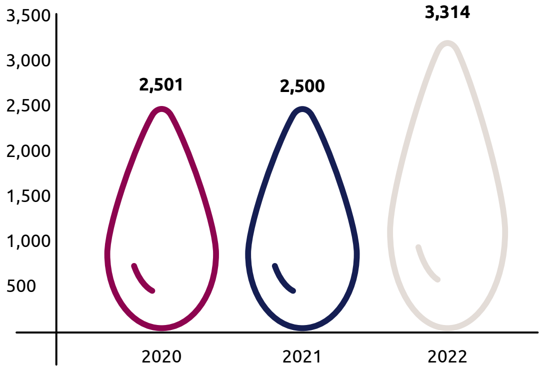
Fuel Consumption by Vehicles Owned or Leased by Bank
57 Kilolitre



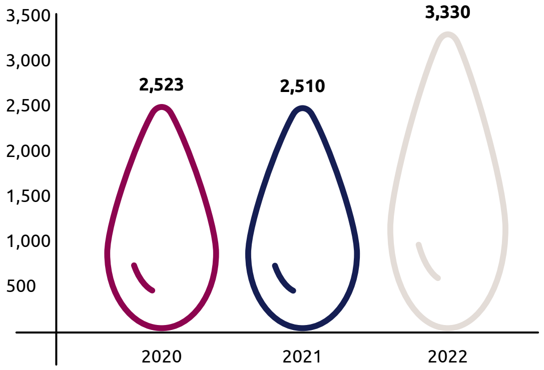
Water Consumption per Employee
7.5 Kilolitre



Utility Water Consumption
3,314 Kilolitre



Total Water Consumption
3,330 Kilolitre



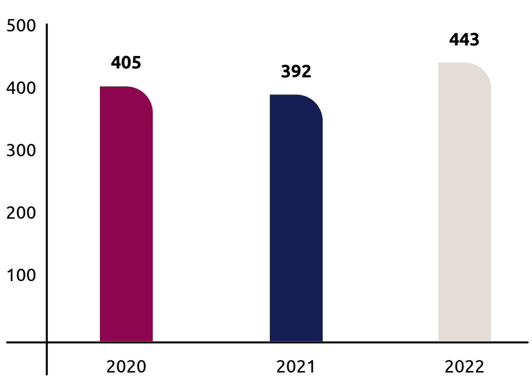
Paper Waste – Weight of Paper Shredded

Following our move into our Jumeirah HQ we are exploring new ways of handling our paper waste to further reduce our environmental footprint. We will look to address this point in next year's Sustainability Report.

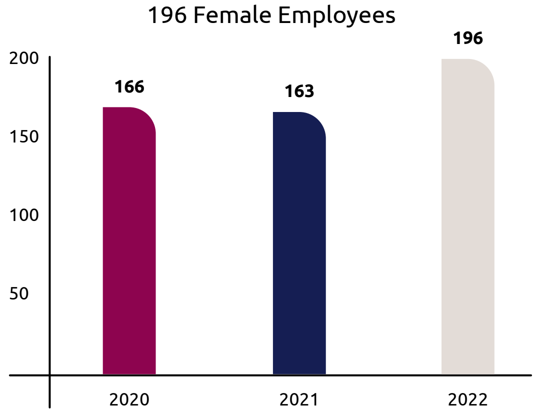
Social Stewardship

Our success is attributed to our employees' hard work and dedication. They are our pillars of strength, and we have consistently provided an atmosphere that encourages our workers' overall growth. We promote diversity at work, pay generously and appreciate employee success, promote women's employment, and provide an open learning environment for employees to improve their abilities.

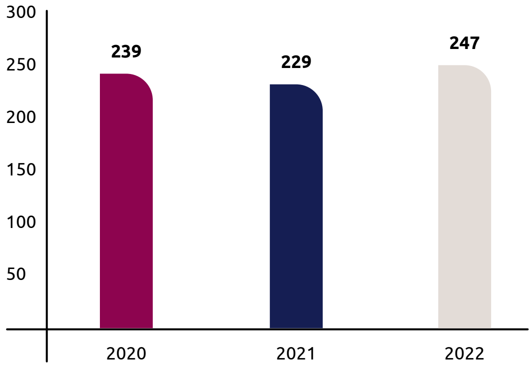
Number of F/T Employees
443 Employees



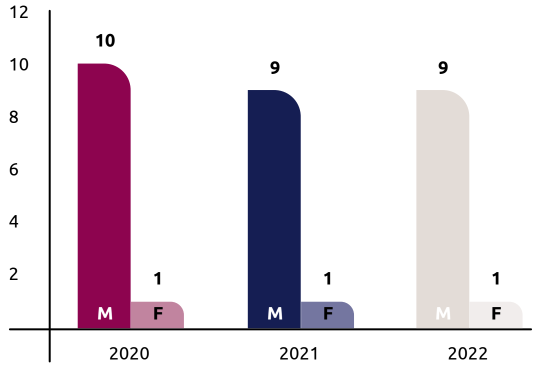
Number of Females Employed
196 Female Employees



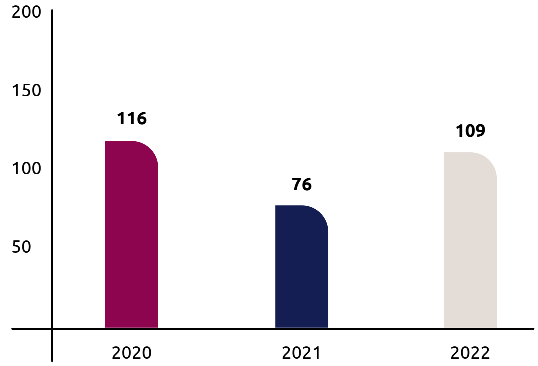
Number of Males Employed
247 Male Employees



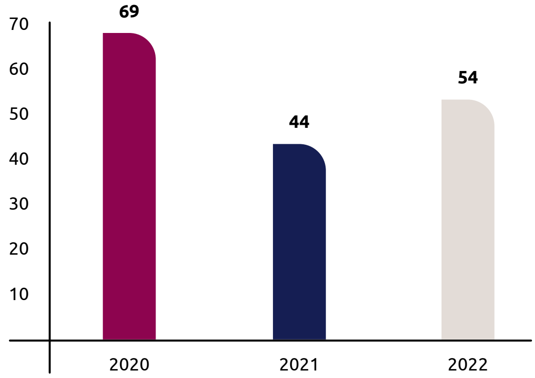
Top Management
Broken Down by Gender



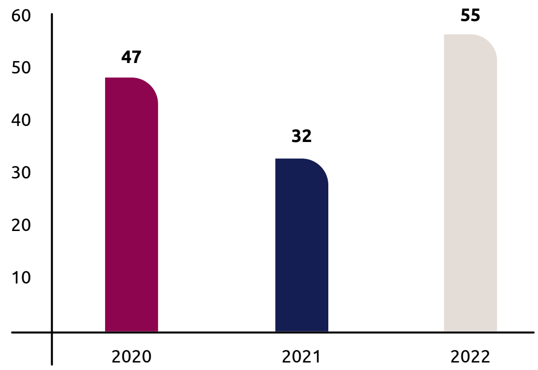
Newly Hired Employees Annually
109 Annual Hires



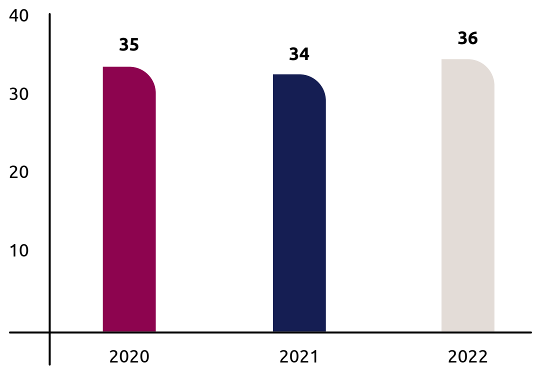
Newly Hired Male Employees Annually
54 Male Employees



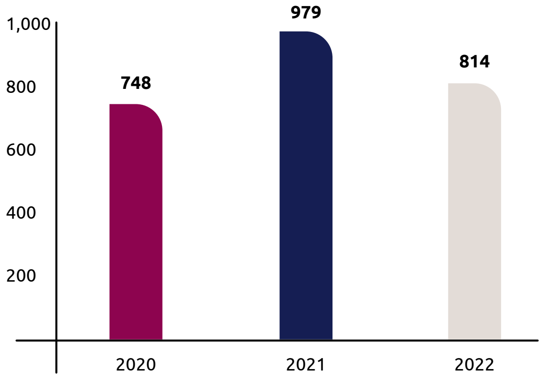
Newly Hired Females Employees Annually
55 Female Employees



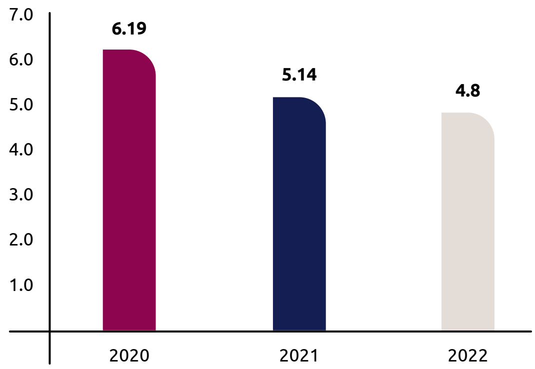
Number of Nationalities
36 Nationalities



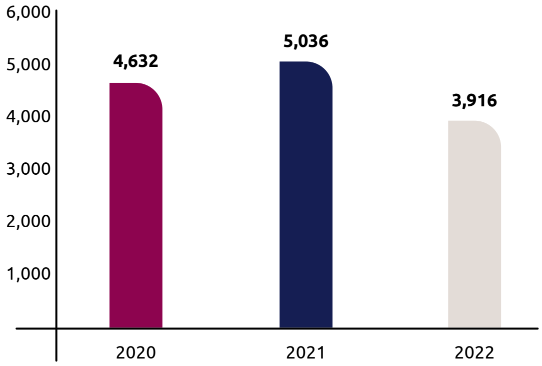
Number of Employees Trained
814 Employees Trained



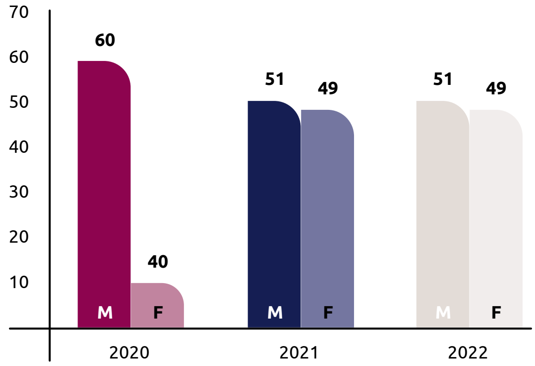
Average Training Hours per Employees
4.8 Training Hours



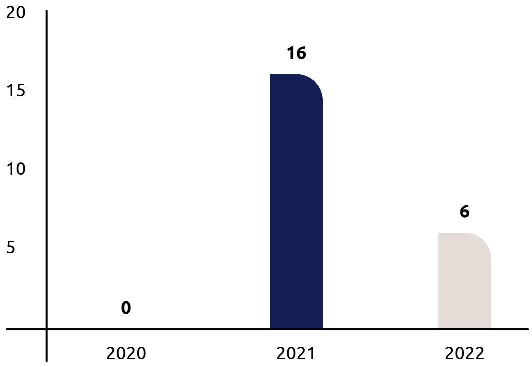
Number of Hours of Training Provided
3,916 Total Training Hours



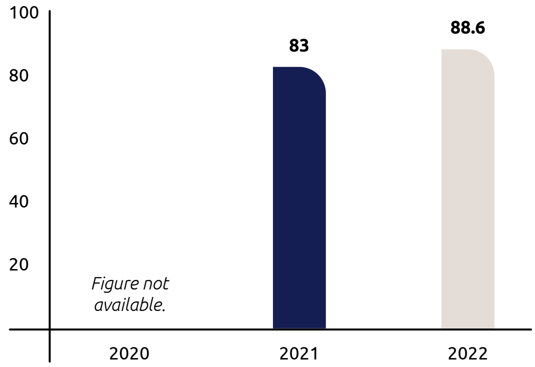
Number of Employees Trained
Broken Down by Gender



Number of Employees who Took Parental Leave
6 Employees



Retention Rate
88.6% rate



Number of Employee Wellbeing Programs Conducted

There were no Employee Wellbeing Programs conducted in 2022.

Overall Satisfaction Rate (%) Employee Satisfaction Survey

A new employee engagement tool was put in place, which is ongoing – the survey results will be shared in early 2023.

We planned out and fine-tuned our peripheral development and CSR programmes that have established enduring trust and brought smiles, always sensitive and caring to the needs, concerns, ambitions, and well-being of the surrounding local populations.

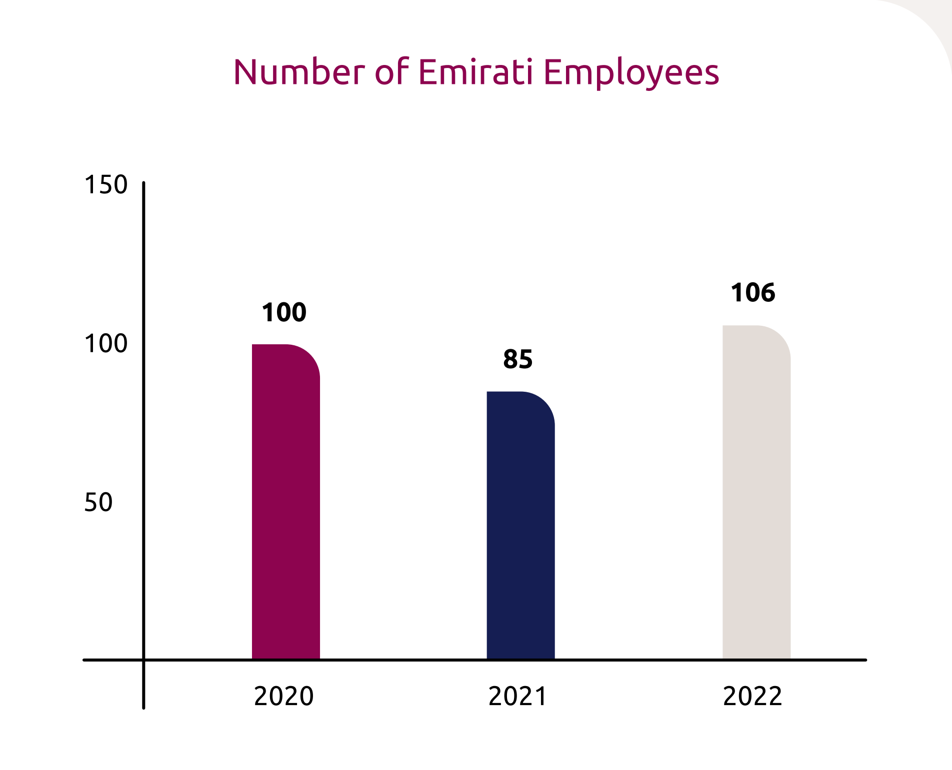
Employee Well-being

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

We are constantly working to improve our employee experience, including onboarding, career advancement through training and development, performance-based incentives, and a variety of employee engagement activities throughout the year, to ensure that working with us is a rewarding and enriching experience.

Emiratisation remains a priority in our overall people management strategy, and we are pleased to report that we surpassed our targets set for 2022. Guided by the UAE's and Central Bank's mandates for employing Nationals, we have grown the percentage of Emiratis in our employ to 23%.

In 2023, we welcomed 13 new Emirati graduates who will complete a comprehensive training and certification programme to prepare them for critical roles in the Bank.



CBI is also planning on incentivising the pay of employees in the coming years on sustainability parameters. The ratio of management pay scale as compared to the employees and the gender pay scale ratio is as per the industry standards in the UAE.

Training & Development

CBI recognises that talent management is both critical and necessary in today's corporate world. The talents fostered in this competitive environment will be the organisation's future leaders, and it is our primary job to encourage them. Our training and development programmes are well-aligned with our long-term company goals, resulting in improved leadership skills and general well-being. The Bank concentrates on attracting and retaining high-performing personnel, and considerable resources are allocated to training and development programmes for employees at all levels.
CBI employees are given assistance to continuously improve their skills and abilities.

To improve our workers' talents, we continue to provide on-the job technical training and support internship programmes for people of determination and blood donation campaign's.

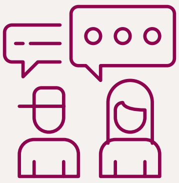
Promotion of Ethical Behaviour

CBI ensures that our corporate culture supports ethical behaviour and integrity, which are critical to the banking sector. In 2022, the Executive Management continued to emphasise the importance of everyone's responsibility to follow the code of ethics and protect CBI's interests by reporting unethical behaviour such as embezzlement, fraud, corruption, bribery, conflicts of interest, customer privacy violations, discrimination, harassment, law violations, and factual misrepresentation.

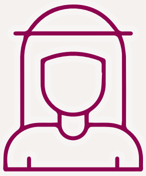
Customer Focus

Regarding our customer-focused activities, a customer education programme has been in operation for the past year. This was established in response to the growth of global cyber-crime and to work in parallel with our new digital banking channels thus ensuring greater awareness and understanding of the importance of data protection and security.

Our 2023 Goals



Specific initiatives planned for 2023 include new tools to ensure efficient two-way dialogue with our employees, ensuring active listening, adapting to their needs, and strengthening employee engagement to enhance our business.



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

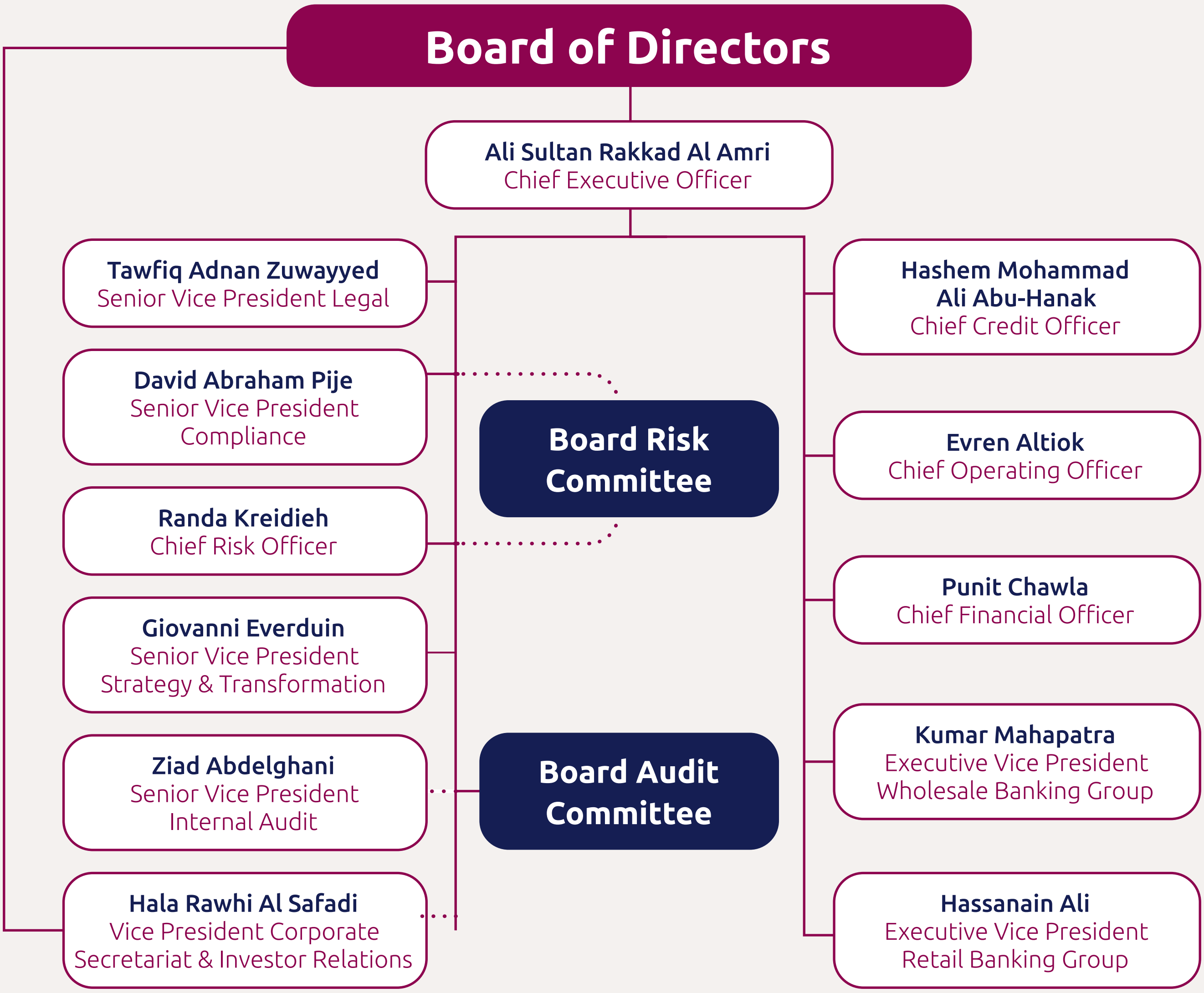
CBI will continue its path to greater competitiveness in our marketplace, enhancing our ability to attract key talent through a growing proposition of rewards, experiences and training aligned with the demands of the evolving banking landscape and our changing business needs.

Ethical Governance

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

Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Effective corporate governance is not an end, it is a means to the proper functioning of a financial institution and the banking sector overall. CBI's safety and soundness are key to its financial stability and the way it conducts its business; therefore, it is central to creating market confidence and business integrity.

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



Structure of Board of Directors

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

At the General Assembly held on 30th March 2020, nine (9) Members of the Board were elected for a period of three (3) years. In March 2021, the Board appointed Mr. Mohamed Ali Mussabah Al Nuaimi as a Board member following the resignation of Mr. Abdul Rahim Mohammed Al Awadhi and his appointment was ratified at the General Assembly meeting held on 22nd March 2022. On 19th December 2021, Mrs. Fareeda Ali Abulfath resigned from the Board of Directors and Mr. Salaheddin Almabruk AlMadani was appointed on 25th April 2022 as her replacement. As of 31st December 2021, there is one female representative in the Board of Directors of CBI (Ms. Maitha Saeed Al Falasi).

As of the 22nd March 2022 the Board Committees are as follows:

Board Audit Committee

Board Risk Committee

Board Credit Committee

Board Nomination and Remuneration Committee

Board Executive Committee

CBI has continued its efforts to enhance its existing Corporate Governance Framework and adopt the latest best practices in this regard. This in turn will maintain and enhance the stability and soundness of the organisation and the trust of the shareholders, potential investors and all the other stakeholders despite the challenging market conditions. This year was another pivotal step towards preparing the next era of CBI governance and management pillars in terms of preparing the new set-up of the Board, the Board Committees together with related Executive Management supporting functionalities.

Stakeholder Consultation and Materiality Analysis

Stakeholders are defined by CBI as organisations and individuals who are influenced by and have the capacity to influence the Bank's operations. Investors, employees, suppliers, consumers, government authorities and local communities are among our stakeholders. Our management follows the idea of aligning societal demands with commercial objectives. In order to create a long-term relationship with our stakeholders, we focus on obtaining ideas, feedback, and concerns from them and reflecting these points in the way we operate. We make sure that the information received through stakeholder engagement is used to influence our approach. We try to link and connect with our stakeholders through a variety of formal and informal channels, as well as other continuous formal and social events.

CBI's Approach to Stakeholder Engagement

Our stakeholders are our partners in producing value for a better and more sustainable world. We engage with all our stakeholders to help them get a better understanding of our common aims. The frequency of engagement is determined by the degree to which the stakeholder group will have an impact on our business. We engage in constructive discussion with our stakeholders and explain our company's business goals and long-term vision, as well as the path we are taking and how the current market is impacting our operations. These initiatives contribute to our stakeholders' belief in the business. We evaluate our progress and how stakeholder input has translated into effective decision making on a regular basis.

Identification of Key Stakeholders

Stakeholder groups are identified and prioritised depending on their importance to our company and capacity to influence CBI's choices. The wide diversity associated with our business is also reflected in our list of stakeholders including customers, employees, regulators, government authorities, suppliers, local institutions, and environmental and social advocates inside and outside our organisation.

Materiality Analysis

Understanding our stakeholders' social, environmental, and economic concerns is critical to ensure that we stay focused on the important issues today and in the future. Our materiality matrix was formulated as we continued to develop and strengthen our internal and external stakeholder engagement approach. Economic, social, and environmental concerns that affect our potential to produce long-term value are major subjects of focus. This is assessed by considering their impact on the organisation's strategy, governance, performance and/or future prospects. To update our materiality evaluation, we have set four important actions.

1. **Questionnaire Distribution**
   Conducting an in-depth examination of the sector, reporting guidelines, peer evaluations, and assessing our ability to influence the UAE's Sustainable Development Goals. The questions were based on GRI standards and also addressed a wide range of topics such as financial, social and environmental concerns.

2. **Defining Topics**
   Each topic has a clear description as well as a scoring method.

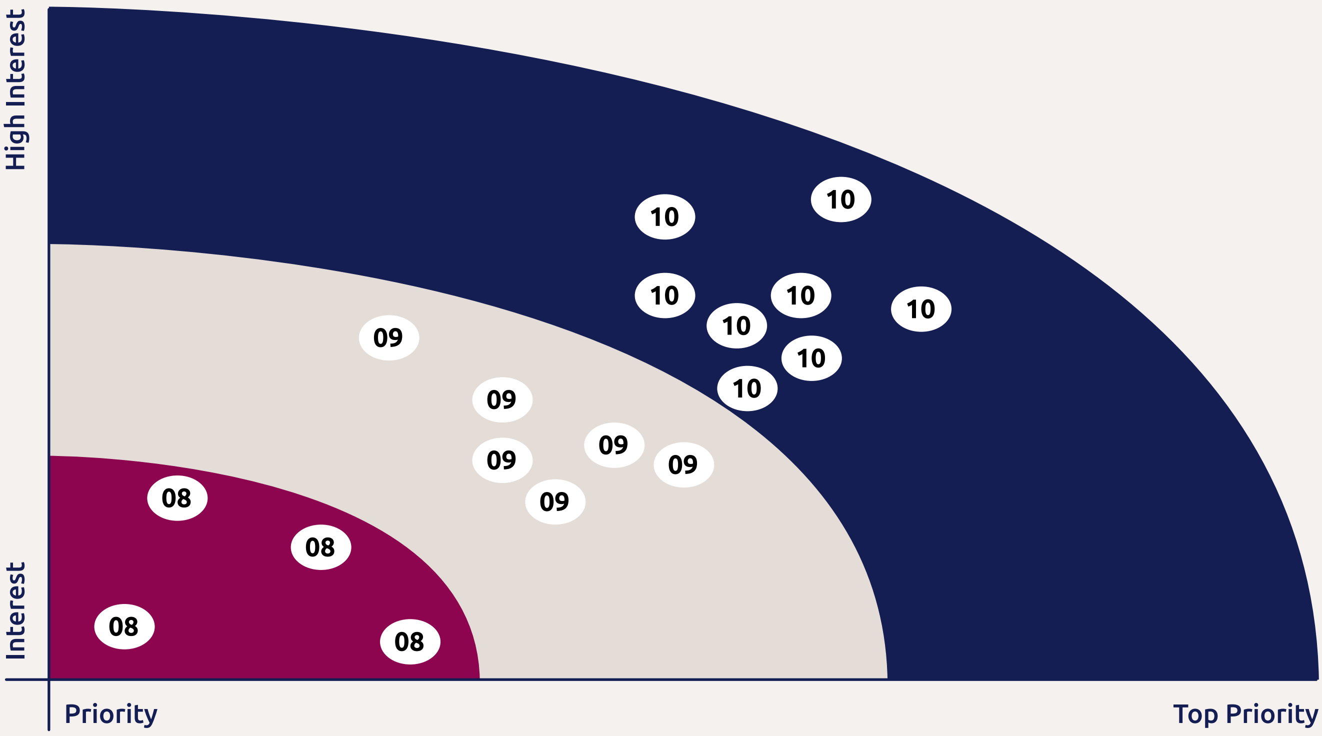
3. **Prioritisation of Issues**
   Stakeholder consultation was carried out with different stakeholder groups to assess their perspectives on the relevance and priority of issues in their interactions with CBI.

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

Materiality Matrix

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

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



10 Working Culture

10 Customer Experience

10 Privacy & Security

10 Clean and Fair Terms and Conditions

10 Economic Growth of the Organisation, People and Community

10 Training and Develeopment

10 Healthy and safe Working Environment

10 Women Empowerment

09 E-banking and Digital Services

09 Youth Empowerment

09 Equal Opportunities for All

09 Waste management

09 Paper Recycling

09 Environmental Stewardship

08 Monitoring Our Carbon Footprint

08 Talent, Attraction and Develeopment

08 Engagement Strategy and Knowledge Sharing

08 Corporate Volunteering

Environmental Disclosures

Environmental Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Page Numbers/URLs or Direct Answers
E1- GHG Emissions	E1.1) Total amount in CO2equivalents, for Scope 1 E1.2) Total amount, in CO2 equivalents, for Scope 2 (if applicable) E1.3) Total amount, in CO2 equivalents, for Scope 3 (if applicable)	GRI 305: Emissions 2016	SDG 13: Climate Action	Page XX GHG Emissions
E2- Emissions Intensity	E2.1) Total GHG emissions per output scaling factor E2.2) Total non-GHG emissions per output scaling factor	GRI 305: Emissions 2016	SDG 13: Climate Action	Data currently unavailable; we are working to provide requisite details in the next report.
E3- Energy Usage	E2.1) Total GHG emissions per output scaling factor E2.2) Total non-GHG emissions per output scaling factor	SGRI 302: Energy 2016	SDG 12: Responsible Consumption	Pages XX-XX Electricity and Fuel Consumption
E4- Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016	SDG 12: Responsible Consumption	Page XX-XX
E5- Energy Mix	Percentage: Energy usage by generation type	GRI 302: Energy 2016	SDG 12: Responsible Consumption	CBI does not have direct control of our energy usage mix. Primary energy is sourced through the national grid.
E3- Water Usage	E6.1) Total amount of water consumed E6.2) Total amount of water reclaimed	GRI 303: Water and Effluents 2018 and Sanitation	SDG 6: Clean Water	Page XX-XX
E7- Environmental Operations	E7.1) Does your company follow a formal Environmental Policy? Yes/ No E7.2) Does your company follow specific waste, water, energy, and/or recycling polices? Yes/No E7.3) Does your company use a recognised energy management system?	GRI 103: Management Approach 2016		No Environmental Policy in place. No Recycling Policies in place. CBI is in consideration of developing the sustainability associated policies in the future.

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

Social Disclosures

Social Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Notes
S1- CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median Full Time Equivalent (FTE) total compensation S1.2) Does your company report this metric in regulatory filings? Yes/No	GRI 102: General Disclosures 2016	SDG 10: Reduced Inequalities	Page XX Data currently unavailable; we are working to provide requisite details in the next report.
S2- Gender Pay Ratio	Ratio: Median male compensation to median female compensation	GRI 405: Diversity and Equal Opportunity 2016	SDG 5: Gender Equality	Balanced and in line with the industry standards.
S3- Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees S3.2) Percentage: Year-over-year change for parttime employees S3.3) Percentage: Year-over-year change for contractors/ consultants	GRI 401: Employment 2016	Pages XX-XX Consumption Disclaimer: In 2021 the improvement in numbers was mainly due to the "working from home" scheme.	Page XX Number of full time employees for year 2020, 2021 and 2022. No Part Time Employees. Data currently unavailable; we are working to provide requisite details in the next report.
S4- Gender Diversity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016	SDG 12: Responsible Consumption	Page XX
S5- Temporary Worker Ratio	S5.1) Percentage: Total enterprise headcount held by part-time employees S5.2) Percentage: Total enterprise headcount held by contractors and/ or consultants	GRI 102: General Disclosures 2016	SDG 12: Responsible Consumption	No Part Time Employees Data currently unavailable; we are working to provide requisite details in the next report.
S6- Non Discrimination	Does your company follow Non-discrimination policy? Yes/No	GRI 103: Management Approach 2016*	SDG 10: Reduced Inequalities	No. CBI is developing a Non-discrimination Policy.
S7- Injury Rate	Does your company follow an occupational health and/ or global health and safety policy? Yes/No	GRI 103: Management Approach 2016*	SDG 3: Good Health and Well-Being	Data currently unavailable; we are working to provide requisite details in the next report.

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

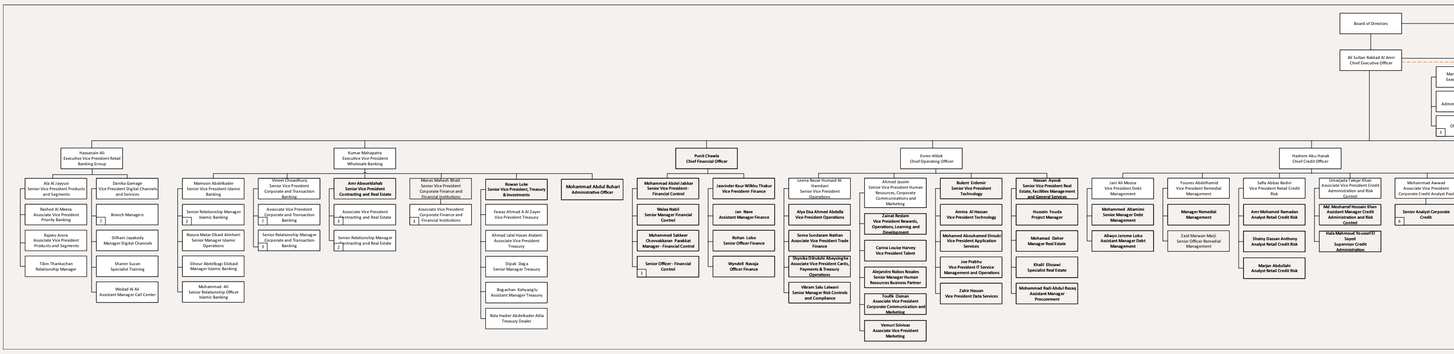
Governance Disclosures

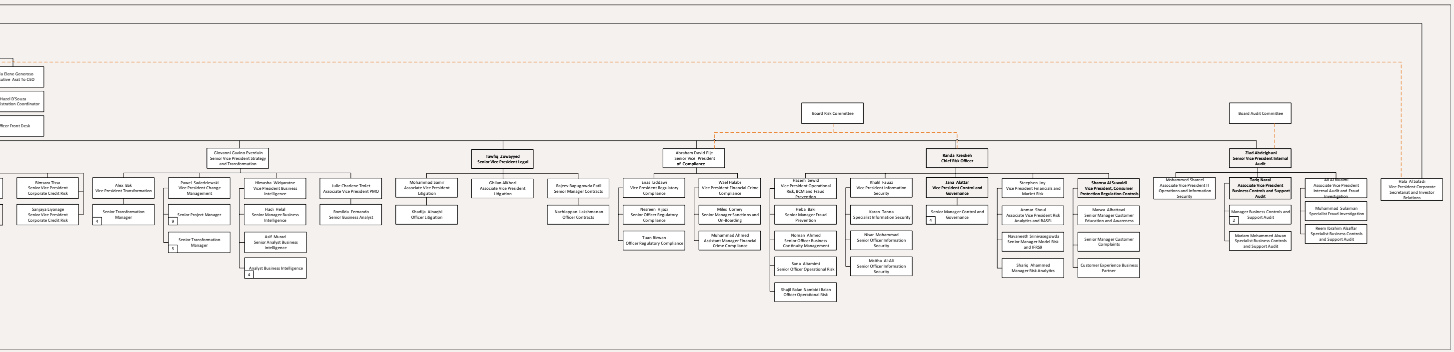
Governance Disclosures	Calculations	Corresponding GRI Standard	Corresponding SDG	Notes
G1- Board Diversity	G1.1) Percentage: Total board seats occupied by men and women G1.2) Percentage: Committee chairs occupied by men and women	GRI 102: General Disclosures 2016	SDG 5: Gender Equality	10:1 Data currently unavailable; we are working to provide requisite details in the next report. Data currently unavailable; we are working to provide requisite details in the next report.
G2- Board Independence	G2.1) Does company prohibit CEO from serving as board chair? Yes/No G2.2) Percentage: Total board seats occupied by independent board members	GRI 405: Diversity and Equal Opportunity 2016	SDG 5: Gender Equality	Data currently unavailable; we are working to provide requisite details in the next report. Data currently unavailable; we are working to provide requisite details in the next report.
G3- Incentivised Pay	Are executives formally incentivised to perform on sustainability?			Page XX
G4- Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?		SDG 12: Responsible Consumption	Yes. Data currently unavailable; we are working to provide requisite details in the next report.
G5- Ethics and Prevention of Corruption	G5.1) Does your company follow an Ethics and/or Prevention of Corruption policy? Yes/No G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?		SDG 16: Peace, Justice and Strong Institutions	Yes. Data currently unavailable; we are working to provide requisite details in the next report.
G6- Data Privacy	G6.1) Does your company follow a Data Privacy policy? Yes/No G6.2) Has your company taken steps to comply with GDPR rules? Yes/No			Yes. Data currently unavailable; we are working to provide requisite details in the next report.

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

CBI Organisational Chart

The full organisation chart has been divided in six sections to illustrate the departments and personnel operating within the Bank structure.




Giovanni Gavino Everduin
Senior Vice President Strategy and Transformation
Bimsara Tissa
Senior Vice President Corporate Credit Risk
Sanjaya Liyanage
Senior Vice President Corporate Credit Risk
Alex Bak
Vice President Transformation
Senior Transformation Manager
4
Pawel Swiedziewski
Vice President Change Management
Senior Project Manager
9
Senior Transformation Manager
5
Himasha Widyaratne
Vice President Business Intelligence
Hadi Helal
Senior Manager Business Intelligence
Asif Murad
Senior Analyst Business Intelligence
Analyst Business Intelligence
4
Julie Charlene Trolet
Associate Vice President PMO
Romilda Fernando
Senior Business Analyst
Tawfiq Zuwayyed
Senior Vice President Legal
Mohammad Samir
Associate Vice President Litigation
Khadija Alnaqbi
Officer Litigation
Ghilan AlKhori
Associate Vice President Litigation
Rajeev Bapugowda Patil
Senior Manager Contracts
Nachiappan Lakshmanan
Officer Contracts
Abraham David Pije
Senior Vice President of Compliance
Enas Liddawi
Vice President Regulatory Compliance
Nesreen Hijazi
Senior Officer Regulatory Compliance
Tuan Rizwan
Officer Regulatory Compliance
Wael Halabi
Vice President Financial Crime Compliance
Miles Corney
Senior Manager Sanctions and On-Boarding
Muhammad Ahmed
Assistant Manager Financial Crime Compliance
Board Risk Committee
Randa Kreidieh
Chief Risk Officer
Hazem Sewid
Vice President Operational Risk, BCM and Fraud Prevention
Heba Baki
Senior Manager Fraud Prevention
Noman Ahmed
Senior Officer Business Continuity Management
Sana Altamimi
Senior Officer Operational Risk
Shajil Balan Nambidi Balan
Officer Operational Risk
Khalil Fauaz
Vice President Information Security
Karan Tanna
Specialist Information Security
Nisar Mohammad
Senior Officer Information Security
Maitha Al-Ali
Senior Officer Information Security
Jana Alattar
Vice President Control and Governance
Senior Manager Control and Governance
4
Steephen Joy
Vice President Financials and Market Risk
Anmar Sboul
Associate Vice President Risk Analytics and BASEL
Navaneeth Srinivasegowda
Senior Manager Model Risk and IFRS9
Shariq Ahammed
Manager Risk Analytics
Shamsa Al Suwaidi
Vice President, Consumer Protection Regulation Controls
Marwa Alhattawi
Senior Manager Customer Education and Awareness
Senior Manager Customer Complaints
Customer Experience Business Partner
Board Audit Committee
Ziad Abdelghani
Senior Vice President Internal Audit
Mohammed Shareel
Associate Vice President IT Operations and Information Security
Tariq Nazal
Associate Vice President Business Controls and Support Audit
Manager Business Controls and Support Audit
2
Mariam Mohammed Alwan
Specialist Business Controls and Support Audit
Ali Al Nuaimi
Associate Vice President Internal Audit and Fraud Investigation
Muhammad Sulaiman
Specialist Fraud Investigation
Reem Ibrahim Alsaffar
Specialist Business Controls and Support Audit
Hala Al Safadi
Vice President Corporate Secretariat and Investor Relations

Financial Statements and Notes

Commercial Bank International P.S.C.

REPORTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Commercial Bank International P.S.C.
Board of Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2022.

Incorporation and registered offices

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

Principal activities

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

Financial position and results

The financial position and results of the Group for the year ended 31 December 2022 are set out in the accompanying consolidated financial statements.

The Group has earned net interest income and income from Islamic financing and investing activities amounting AED 397,804 thousands during the year ended 31 December 2022 (2021: AED 376,075 thousands) and had recorded a net profit of AED 150,470 thousands for the year ended 31 December 2022 (2021: AED 130,555 thousands).

Directors

The following were the Directors of the Bank at the end of year ended 31 December 2022:

Mr. Saif Ali Al Shehhi	Chairman
Mr. Ali Rashid Al-Mohannadi	Vice Chairman
Mr. Mubarak Bin Fahed	
Mr. Faisal Ali Al Tamimi	
Ms. Maitha Saeed Al Falasi	
Dr. Ghaith Hammel Alghaith Alqubaisi	
Mr. Mohamed Ali Musabbeh Al Nuaimi	
Mr. Hamad Salah Al Turkait	
Mr.Salaheddin Almabruk Al-Madani	

Auditors

The consolidated financial statements for the year ended 31 December 2022 have been audited by Deloitte & Touche (M.E.) and, being eligible, offer themselves for reappointment.

By order of the Board of Directors

Saif Ali Al Shehhi
Chairman

18 January 2023

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

Deloitte & Touche (M.E.)
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Downtown Dubai
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Dubai
United Arab Emirates

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Commercial Bank International P.S.C
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Cont'd…

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
IT systems and controls over financial reporting	
We identified IT systems and controls over the Bank's financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to limit the potential for fraud and error as a result of change to an application or underlying data.	Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over IT systems: We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to automated controls and computer-generated information covering access security, program changes, data centre and network operations. We examined computer generated information used in financial reports from relevant applications and key controls over their report logics. We performed testing on the key automated controls on significant IT systems relevant to business processes.
Measurement of expected credit losses	
The assessment of the Bank's determination of impairment allowances for finance receivable requires management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss ("ECL"). The audit was focused on this matter due to the materiality of the finance receivables to customers (representing 61.1% of total assets) and the complexity of the judgements, assumptions and estimates used in the ECL models. Refer to Note 3.25 to the consolidated financial statements for the accounting policy and Note 38.1 for the credit risk disclosure.	We performed the following audit procedures on the computation of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2022: • Gained an understanding of the credit risk management process and the estimation process of determining impairment allowances for loans and advances and tested the operating effectiveness of relevant controls within these processes. • For a sample of exposures, we performed a detailed credit review and challenged the appropriateness of the Group's application of the staging criteria. • Tested the completeness and accuracy of the data used in the calculation of ECL. • Assessed the Conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9. • Assessed ECL modelling methodology, and reasonableness of the assumptions. • Inspected the calculation methodology and traced a sample back to source data for a sample of wholesale and retail exposures.

Key Audit Matters (continued)

Measurement of expected credit losses	
The finance receivables for retail and non-retail is assessed individually for the significant increase in credit risk ("SICR") and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the Bank's policies and the requirements of IFRS 9 Financial Instruments. The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that models (Probability of Default, Loss Given Default, Exposure at Default and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process by an independent reviewer. For the defaulted exposures, management applies judgements to estimate the expected future cash flows related to individual exposures including the value of collateral. Measurement of ECL is considered a key audit matter as the Group applies significant judgements and makes a number of assumptions in developing ECL models.	• We evaluated post model adjustments and management overlays in order to assess the reasonableness of these adjustments. • The Bank performed an external validation of the Probability of Default and Loss Given Default models, including macro-economic models, used in calculating the ECL during the reporting period. We considered the process of this external validation of the models and its impact on the results of the impairment estimate. • For the stage 3 portfolio and for a sample of wholesale exposures we also assessed whether relevant impairment events had been identified in a timely manner and the appropriateness of the provisioning assumptions such as estimated future cash flows, collateral valuations and estimates of recovery. • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Deloitte.

Other information

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

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

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

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

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

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

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

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

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

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

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

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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.

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

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

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

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

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

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

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

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

Deloitte.

Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Bank has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Bank;
- Note 12 and 13 to the consolidated financial statements discloses the Bank purchases or investments in shares during the year ended 31 December 2022;
- Note 42 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- Note 31 to the consolidated financial statements discloses social contributions made during the year ended 31 December 2022.

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

Deloitte & Touche (M.E.)

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

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

as at

	Note	31 Dec 2022 AED '000	31 Dec 2021 AED '000
Assets			
Cash and balances with the Central Banks	6	2,632,565	2,403,425
Derivative financial instruments	40	6,604	16,917
Deposits and balances due from banks	7	458,448	97,842
Loans and advances to customers	8	12,410,433	11,157,347
Islamic financing and investing assets	9	513,699	621,423
Receivables and other assets	10	2,131,839	3,277,302
Property inventory	11	500,660	559,503
Investment securities measured at fair value	12	264,009	256,955
Investment securities measured at amortised cost	13	2,082,977	2,233,631
Investment properties	14	26,022	38,824
Intangible assets	15	28,601	40,177
Property and equipment	16	110,682	70,742
Total assets		21,166,539	20,774,088
Liabilities and equity			
Liabilities			
Balance due to the Central Banks	6	1,748	16,182
Derivative financial instruments	41	6,084	17,976
Deposits and balances due to banks	17	4,014,531	2,262,654
Customers' deposits	18	11,360,543	11,344,137
Islamic customers' deposits	19	839,282	1,230,033
Payables and other liabilities	20	2,245,718	3,288,213
Total liabilities		18,467,906	18,159,195
Equity			
Share capital	21	1,737,383	1,737,383
Tier 1 Capital Securities	22	459,125	459,125
Reserves	23	551,118	497,478
Accumulated losses		(152,330)	(149,197)
Equity attributable to owners of the Bank		2,595,296	2,544,789
Non-controlling interests	24	103,337	70,104
Total equity		2,698,633	2,614,893
Total liabilities and equity		21,166,539	20,774,088

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

....
Ali Sultan Rakkad Al Amri
Chief Executive Officer

....
Saif Ali Al Shehhi
Chairman

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

for the year ended 31 December

	Note	2022 AED '000	2021 AED '000
Interest income	25	654,247	512,824
Income from Islamic financing and investing assets	26	46,105	49,657
Total interest income and income from Islamic financing and investing assets		700,352	562,481
Interest expense	27	(262,405)	(177,737)
Distribution to Islamic depositors	28	(40,143)	(8,669)
Net interest income and income from Islamic financing and investing assets		397,804	376,075
Fee and commission income	29	116,123	135,964
Fee and commission expense	29	(14,860)	(14,820)
Net fee and commission income		101,263	121,144
Net gain from derecognition of financial asset measured at amortised cost	45	-	58,864
Other operating income, net	30	103,742	74,566
Net operating income		602,809	630,649
General and administrative expenses	31	(327,743)	(302,637)
Net impairment loss on financial assets	32	(126,688)	(198,021)
Net reversal on non-financial assets	33	2,092	564
Profit for the year		150,470	130,555
Profit for the year attributable to:			
Owners of the Bank		117,237	121,777
Non-controlling interests	24	33,233	8,778
		150,470	130,555
Earnings per share:			
Basic and diluted earnings per share (AED)	35	0.067	0.070

Consolidated statement of comprehensive income

for the year ended 31 December

	Note	2022 AED '000	2021 AED '000
Profit for the year		150,470	130,555
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of financial assets measured at fair value through other comprehensive income		(69,843)	(8,692)
Remeasurement of net defined benefit liability		3,113	2,516
Other comprehensive loss for the year		(66,730)	(6,176)
Total comprehensive income for the year		83,740	124,379
Total comprehensive income for the year attributable to:			
Owners of the Bank		50,507	115,601
Non-controlling interests	24	33,233	8,778
		83,740	124,379

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

for the year ended 31 December

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

for the year ended 31 December

	Share Capital AED '000	Tier 1 Capital Securities AED '000	Reserves AED '000	Accumulated losses AED '000	Equity attributable to owners of the Bank AED '000	Non-controlling interests AED '000	Total AED '000
2021							
Balance as at 31 December 2020	1,737,383	459,125	422,556	(189,876)	2,429,188	61,326	2,490,514
Profit for the year	-	-	-	121,777	121,777	8,778	130,555
Other comprehensive loss for the year	-	-	(8,692)	2,516	(6,176)	-	(6,176)
Total comprehensive income for the year	-	-	(8,692)	124,293	115,601	8,778	124,379
Transfer to statutory reserve - restated	-	-	13,056	(13,056)	-	-	-
Transfer to general reserve - restated	-	-	13,056	(13,056)	-	-	-
Transfer to CBUAE specific provision reserve	-	-	57,502	(57,502)	-	-	-
Balance as at 31 December 2021 - restated	1,737,383	459,125	497,478	(149,197)	2,544,789	70,104	2,614,893

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

for the year ended 31 December

	2022 AED '000	2021 AED '000
Cash flows from operating activities		
Profit for the year	150,470	130,555
Adjustments for:		
Depreciation of property and equipment	19,923	20,923
Depreciation of investment property	1,279	2,823
Amortisation of intangible assets	13,669	18,288
Net impairment loss on financial assets	126,688	198,021
Net impairment gain on non-financial assets	(2,092)	(564)
Gain on disposal of property and equipment	(59)	(30,020)
Amortisation of financial assets measured at amortised cost	4,551	2,259
Gain on financial assets measured at FVTPL	(70,406)	(18,891)
Dividend income	(804)	(804)
Write-off of property and equipment	-	1,317
Provision for end of service benefits	14,718	3,961
	257,937	327,868
Changes in operating assets and liabilities:		
Decrease in balances with the Central Bank of the UAE	135,157	250,736
Increase in deposits and balances due from banks with original maturity of 90 days or more	(403,986)	-
Increase in financial assets measured at amortised cost with original maturity of 90 days or more	(235,509)	-
Increase in loans and advances to customers	(1,309,029)	(1,558,546)
Decrease/(increase) in Islamic financing and investing assets	85,922	(31,163)
(Increase)/decrease in property inventory	(4,872)	93,280
Decrease/(increase) in receivables and other assets	1,150,832	(771,511)
Decrease in due to the Central Bank of the UAE	(14,434)	(289,866)
Increase in deposits and balances due to banks	1,751,877	969,667
Increase in customers' deposits	16,406	1,319,714
(Decrease)/increase in Islamic customers' deposits	(390,751)	773,401
(Decrease)/increase in payables and other liabilities	(1,059,740)	756,131
Cash (used in)/ generated from operating activities	(20,190)	1,839,311
End of service benefits paid	(4,134)	(5,924)
Net cash (used in)/ generated from operating activities	(24,324)	1,833,387
Cash flows from investing activities:		
Purchase of property and equipment	(19,575)	(31,126)
Proceeds from sale of property and equipment	942	43,809
Purchase of intangible assets	(2,093)	(5,083)
Proceeds from sale of investment properties	4,204	11,895
Purchase of financial assets measured at amortised cost	(519,060)	-
Proceeds from redemption of financial assets measured at amortised cost	44,053	196,705
Purchase of financial assets measured at FVTOCI	(6,500)	-
Proceeds from disposal of financial assets measured at FVTOCI	-	1,143
Net settlement of FVTPL assets	(1,581)	(722)
Dividend received	804	804
Net cash (used in)/ generated from investing activities	(498,806)	217,425

for the year ended 31 December

	Note	2022 AED ’000	2021 AED ’000
Net (decrease)/increase in cash and cash equivalents		(523,130)	2,050,412
Cash and cash equivalents at the beginning of the year		3,047,524	997,112
Cash and cash equivalents at the end of the year	36	2,524,394	3,047,524
Non-cash transactions:			
Sale of property of property inventory and investment in property		**76,126**	**-**

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

1. Status and activities

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

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

Name	Principal Activity	Principal place of business	Place of incorporation	% of ownership 2022	2021
CBI Financial Services Limited	SPV	Dubai - the UAE	Cayman Islands	100.0	100.0
CBI Tier 1 Private Ltd	SPV	Dubai - the UAE	Cayman Islands	100.0	100.0
Takamul Real Estate L.L.C.	Real estate	Dubai - the UAE	Dubai - the UAE	100.0	100.0
Al Khaleejiah Property Investments LLC	Real estate	Sharjah - the UAE	Sharjah - the UAE	52.8	52.8
Al Caribi Development Limited	Real estate	Antigua and Barbuda	BVI	100.0	100.0
International Financial Brokerage L.L.C.*	Brokerage	Dubai - the UAE	Dubai - the UAE	99.4	99.4
Arzaq Holdings (Private J.S.C.)**	Real estate	Sharjah - the UAE	Sharjah - the UAE	48.0	48.0

* *under liquidation*

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

2. Application of new and revised IFRSs

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be lossmaking.
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

2. Application of new and revised IFRSs (continued)

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

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

3. Significant accounting policies

3.1 Statement of compliance

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

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

3.2 Basis of preparation

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

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

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

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

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

3.3 Basis of consolidation

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

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

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

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

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

3.4 Property and equipment

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

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

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

3. Significant accounting policies (continued)

3.4 Property and equipment (continued)

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

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

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

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

3.5 Investment properties

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

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

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

3.6 Impairment of tangible assets

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

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

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

3. Significant accounting policies (continued)

3.6 Impairment of tangible assets (continued)

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

3.7 Intangible assets

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

3.8 Property inventory

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

3.9 Provisions

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

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

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

3.10 Leases

3.10.1 The Group as lessee

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

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

3. Significant accounting policies (continued)

3.10 Leases (continued)

3.10.1 The Group as lessee (continued)

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

3.10 Leases (continued)

3.10.1 The Group as lessee (continued)

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

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

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

3.10.2 The Group as lessor

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

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

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

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

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

3.11 Segment reporting

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

3.12 Acceptances

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

3. Significant accounting policies (continued)

3.13 Foreign currencies

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

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

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

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

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

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

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

3.15 Net fee and commission income

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

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

3. Significant accounting policies (continued)

3.16 Net income from financial instruments at FVTPL

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

3.17 Dividend income

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

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

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

3.18 Revenue from sale of property

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

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

3.19 Derivative financial instruments

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

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

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

3. Significant accounting policies (continued)

3.20 Embedded derivatives

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

3.21 Financial guarantee contracts

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

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

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

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

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

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

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

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

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

3.23 Retirement benefit costs

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

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

3. Significant accounting policies (continued)

3.23 Retirement benefit costs (continued)

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

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

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

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

3.24 Financial instruments

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

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

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

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

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

3.25 Financial assets

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

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

Specifically:

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

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

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

3.25.1 Debt instruments at amortised cost or at FVTOCI

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

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

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

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

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

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

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

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

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

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

3.25.2 Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.3 Reclassifications

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

3.25.4 Foreign exchange gains and losses

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

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

3.25.5 Impairment

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

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

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

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.5 Impairment (continued)

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

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

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

3.25.6 Credit-impaired financial assets

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

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

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

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

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.8 Definition of default

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

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

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

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

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

3.25.9 Significant increase in credit risk

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

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.9 Significant increase in credit risk (continued)

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

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

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

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

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

3.25.10 Modification and derecognition of financial assets

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.10 Modification and derecognition of financial assets (continued)

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

3.25.10 Modification and derecognition of financial assets (continued)

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

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

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

3.25.11 Write-off

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

3.25.12 Presentation of allowance for ECL in the statement of financial position

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

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

3. Significant accounting policies (continued)

3.25 Financial assets (continued)

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

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

3.26 Equity instruments and financial liabilities

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

3.26.1 Equity instruments

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

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

3.26.2 Financial liabilities

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

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

3.26.2.1 Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3. Significant accounting policies (continued)

3.26 Equity instruments and financial liabilities (continued)

3.26.2 Financial liabilities (continued)

3.26.2.1 Financial liabilities at FVTPL (continued)

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

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

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

3.26.2.2 Other financial liabilities

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

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

3.26.2.3 Derecognition of financial liabilities

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

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

3.26.2.4 Sale and Repurchase Agreements

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

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

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

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

4.1 Definitions

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

4.1.1 Murabaha

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

4.1.2 Ijarah

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

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

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

4.1.3 Wakala

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

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

5. Critical accounting judgments and key sources of estimation uncertainty

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

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

5.1 Critical judgments in applying the Group's accounting policies

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

5.1.1 Business model assessment

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

5.1.2 Significant increase of credit risk

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

5.1.3 Establishing groups of assets with similar credit risk characteristics

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

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

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

5.1.4 Models and assumptions used

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

5.1.5 Investment in MURJAN

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

5.2 Key sources of estimation uncertainty

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

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

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

5.2.2 Probability of default

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

5.2.3 Loss Given Default

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

5.2.4 Fair value measurement and valuation process

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

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

5.2 Key sources of estimation uncertainty (continued)

5.2.5 Impairment of property and equipment and investment properties

The Group determines at each reporting date whether there is any objective evidence that the property and equipment and investment properties are impaired. The management estimates the market value of properties based on the current market conditions and comparative transactions conducted by the Group. Whenever the carrying amount of any property exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

6. Cash and balances with the Central Banks

In the table below, statutory cash ratio requirements with the Central Banks of the UAE represent mandatory reserve deposits and are not available for use in the Group's day-to-day operations. Cash on hand and current accounts and other balances are non-interest bearing. Overnight deposits carry interest rate ranging from 0.15% to 4.40% per annum (2021: 0.10% to 0.15 per annum).

	2022 AED '000	2021 AED '000
Cash on hand	62,981	58,684
Balance due from the Central Banks:		
Statutory cash ratio requirements	219,584	354,741
Overnight deposits	2,350,000	1,990,000
	2,632,565	2,403,425
Balance due to the Central Banks:		
Current account	1,748	16,182
	1,748	16,182

7. Deposits and balances due from banks

	2022 AED '000	2021 AED '000
Demand and call deposits	61,611	98,985
Loan to banks	403,986	-
	465,597	98,985
ECL allowance	(7,149)	(1,143)
	458,448	97,842

8. Loans and advances to customers

	2022 AED '000	2021 AED '000
Retail lending:		
Mortgage loans	727,343	809,161
Credit cards	39,812	49,328
Other	389,339	408,679
	1,156,494	1,267,168
ECL allowance	(34,813)	(47,002)
	1,121,681	1,220,166
Wholesale lending:		
Loans	9,230,017	8,963,880
Overdrafts	1,947,346	1,320,118
Trust receipts	306,997	358,015
Bills discounted	379,027	357,801
	11,863,387	10,999,814
ECL allowance	(574,635)	(1,062,633)
	11,288,752	9,937,181
	12,410,433	11,157,347

9. Islamic financing and investing assets

	2022 AED '000	2021 AED '000
Wholesale lending:		
Murabaha	265,785	267,502
Ijarah	275,311	363,703
Others	6,269	3,216
	547,365	634,421
Deferred income	(5,817)	(6,951)
	541,548	627,470
ECL allowance	(27,849)	(6,047)
	513,699	621,423

10. Receivables and other assets

	2022 AED '000	2021 AED '000
Non-financial assets		
Prepayments	18,099	10,413
Advances to acquire properties (i)(ii)	3,514	33,013
	21,613	43,426
Financial assets		
Interest receivable	12,442	10,177
Profit receivable	11,197	4,638
Customer acceptances	1,880,188	3,009,550
Other	210,923	214,118
	2,114,750	3,238,483
ECL allowance	(4,524)	(4,607)
	2,110,226	3,233,876
	2,131,839	3,277,302

(i) In 2021, the Group has recovered against previously written-down advances to acquire properties, net of impairment charge for the year, of AED 8.9 million and recognised in 'net impairment loss on non-financial assets.

(ii) During the year the Group has transfer advance to acquire properties to Property and equipment of AED 41.2 million (note 16). This property (building) will be used for the bank's back office.

11. Property inventory

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

	2022 AED '000	2021 AED '000
Balance at 1 January	559,503	648,615
Additions and repossessed during the year	69,332	-
Transfer during the year	-	9,399
Net realisable value adjustment during the year (Note 33)	2,800	(5,231)
Disposals during the year	(130,975)	(93,280)
Balance at 31 December	500,660	559,503

The net realisable value of the Group's property inventory as at 31 December 2022 and 31 December 2021 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. Independent valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The net realisable value was determined based on either the market comparable approach that reflects recent transaction prices for similar properties or on a present value calculation of the estimated future cash flows supported by existing lease and current market rents for similar properties at the same location. The Net realisable value adjustments have been included in profit or loss in the 'Net reversal on non-financial assets' line item.

During the year, the Group disposed of AED 131 million of property inventory. The proceeds on disposal of AED 72 million were received in cash and the remaining AED 66.5 million is recorded the other receivables. The gain on disposal of property inventory is disclosed in note 30.

12. Investment securities measured at fair value

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

	2022 AED '000	2021 AED '000
Investment at FVTOCI		
Investment in quoted shares	26,959	15,279
Investment in unquoted shares	17,373	92,420
Investment in unquoted investment fund	1,406	1,391
	45,738	109,090
Investment at FVTPL		
Investment in unquoted shares	218,271	147,865
	264,009	256,955

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

	Within the UAE		Outside the UAE	
	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Financial institutions	21,913	31,563	17,373	3,722
Government entities	6,451	-	-	-
Real estate	218,272	149,256	-	72,414
	246,636	180,819	17,373	76,136

12. Investment securities measured at fair value (continued)

As of 31 December 2022, change in fair value of investment measured at FVTPL resulted in gain of AED 70.4 million (31 December 2021: a gain of AED 18.6 million) and was recognised as investment income in the consolidated statement of profit or loss (Note 30)

As of 31 December 2022, change in fair value of other financial assets measured at FVTOCI resulted in a loss of AED 69.8 million (31 December 2021: a loss of AED 8.7 million) and was recognised in the consolidated statement of comprehensive income. During the year, The Board approved the write-off for the investments in Al Caribi Antigua Development, which was acquired in 2018 as a settlement of debt, the write-off had a negative impact on the accumulated losses by AED 82.7 million

During the year ended 31 December 2022, the Group purchased and disposed equity shares amounting to AED 6.5 million (31 December 2021: Nil) and Nil (31 December 2021: Nil) respectively.

13. Investment securities measured at amortised cost

	2022 AED '000	2021 AED '000
Investment in debt instruments	1,128,052	755,097
Investment in Islamic Sukuk	680,639	583,017
Monterey bills	285,311	899,855
	2,094,002	2,237,969
ECL allowance	(11,025)	(4,338)
	2,082,977	2,233,631

An analysis of concentration of Investment securities measured at amortised cost by sector and by region is as follows:

	Within the UAE		Outside the UAE	
	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Government entities	1,112,855	1,625,453	981,147	612,516

The Group holds these investment securities with an average yield of 2.5 % to 8.6% per annum (2021: 3.0% to 7.5% per annum). Monterey bills carry interest rate ranging between 0.2% and 4.6 % per annum (2021: 1.2% to 1.5% per annum).

At 31 December 2022, certain financial assets measured at amortised cost with an aggregate carrying value of AED 838.7 million (fair value of AED 849.8 million) (31 December 2021: carrying value of AED 511.9 million (fair value of AED 511.9 million) which were collateralised as at that date against repurchase agreements with banks ("Repo") of AED 700.3 million (31 December 2021: AED 381.2 million)

14. Investment properties

	2022 AED '000	2021 AED '000
Cost:		
Balance at 1 January	69,966	95,990
Disposals during the year	(26,417)	(26,024)
Balance at 31 December	43,549	69,966
Accumulated depreciation and accumulated impairment:		
Balance at 1 January	31,142	43,713
Depreciation charge for the year	1,279	2,823
Net reversals during the year	(2,292)	(1,265)
Disposals	(12,602)	(14,129)
Balance at 31 December	17,527	31,142
Carrying value:		
Balance at 31 December	26,022	38,824

Fair value of investment properties

The fair value of the Group's investment property as at 31 December 2022 and 31 December 2021 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers not related to the Group. Independent valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on a market value comparison / present value calculation of the estimated future cash flows supported by existing lease and current market rents for similar properties at the same locations. The interest rate, which is used to discount the future cash flows, reflects current market assessments of the uncertainty and timing of the cash flows.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2022 and 31 December 2021 are as follows:

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Fair value AED '000
31 December 2022	**-**	**-**	**26,022**	**28,600**
31 December 2021	-	-	38,824	42,600

At the end of reporting period, as a result of the indication of increase in the fair value of investment properties, the Group carried out a review of the recoverable amount of its investment properties. The review led to the recognition of an impairment reversal of AED 2.3 million (2021: impairment reversal of AED 1.3 million), which has been recognised in profit or loss in the 'net reversal on non-financial assets' line item. A 5% decrease in recoverable amount will lead to an impairment charge of AED 1.3 million (2021: AED 1.9 million).

All investment properties are within the UAE and MENA. During the year the Group recognised rental income of AED 0.8 million (2021: AED 1.3 million) from investment properties which is included in other operating income in note 30. The group also incurred AED 0.8 million (2021: AED 1.4 million) operating expenses from investment property that generated rental income during the year.

During the year, the Group disposed of AED 13.8 million of Investment Properties. The proceeds on disposal of AED 6.6 million were received in cash and the remaining AED 9.6 million is recorded the other receivables. The gain on disposal of Investment Properties is disclosed in note 30.

15. Intangible assets

	2022 AED '000	2021 AED '000
Cost:		
Balance at 1 January	125,353	120,271
Additions during the year	2,093	5,082
Balance at 31 December	127,446	125,353
Accumulated amortisation:		
Balance at 1 January	85,176	66,889
Amortisation charge for the year	13,669	18,287
Balance at 31 December	98,845	85,176
Carrying value:		
Balance at 31 December	28,601	40,177

16. Property and equipment

	Freehold land and buildings AED '000	Property Improvem-ents AED '000	Furniture, fixtures, equipment and vehicles AED '000	Right of use assets AED '000	Capital work in progress AED '000	Total AED '000
Cost:						
Balance at 1 January 2021	50,060	28,676	63,013	67,755	4,190	213,694
Additions during the year	-	702	1,665	27,242	6,565	36,174
Disposals during the year	(36,737)	(173)	(1,213)	(783)	-	(38,906)
Adjustments	-	(3,404)	(768)	(5,046)	-	(9,218)
Balance at 31 December 2021	13,323	25,801	62,697	89,168	10,755	201,744
Additions during the year	-	1,775	2,165	2,119	13,516	19,575
Transfers from Capital work in progress	-	6,630	2,800	-	(9,430)	-
Transfer from advance to acquire properties (note 10 (ii))	41,171	-	-	-	-	41,171
Disposals during the year	-	(7,707)	(1,776)	(34,903)	-	(44,386)
Adjustment	-	-	-	(2,744)	(63)	(2,807)
Balance at 31 December 2022	54,494	26,499	65,886	53,640	14,778	215,297
Accumulated depreciation and accumulated impairment:						
Balance at 1 January 2021	26,334	22,302	48,489	40,924	-	138,049
Depreciation for the year	1,112	2,001	4,861	12,949	-	20,923
Adjustments	-	(2,091)	(763)	-	-	(2,854)
Disposals	(23,128)	(172)	(1,033)	(783)		(25,116)
Balance at 31 December 2021	4,318	22,040	51,554	53,090	-	131,002
Depreciation for the year	1,750	3,500	5,305	9,368		19,923
Adjustments	-	-	-	(2,125)	-	(2,125)
Disposals	-	(7,707)	(1,611)	(34,867)	-	(44,185)
Balance at 31 December 2022	6,068	17,833	55,248	25,466	-	104,615
Carrying value:						
Balance at 31 December 2022	48,426	8,666	10,638	28,174	14,778	110,682
Balance at 31 December 2021	9,005	3,761	11,143	36,078	10,755	70,742

17. Deposits and balances due to banks

	2022 AED '000	2021 AED '000
Demand and call deposits	78,628	63,023
Term borrowings	2,301,062	1,351,069
Islamic inter bank borrowings	934,520	467,305
Repurchase agreements with banks	631,851	381,257
Islamic repurchase agreements with banks	68,470	-
	4,014,531	2,262,654

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

	2022 AED '000	2021 AED '000
Within the UAE	1,784,309	985,838
Outside the UAE	2,230,222	1,276,816
	4,014,531	2,262,654

The above repurchase agreements with banks are at an average interest rate of 0.7% to 5.4% per annum (31 December 2021: 3.9% to 4.0% per annum.) per annum. Collateral provided as security against these Repo borrowings are disclosed in Note 13 to the consolidated financial statements.

18. Customers' deposits

	2022 AED '000	2021 AED '000
Current accounts	1,688,250	1,969,941
Saving accounts	802,985	958,329
Time deposits	8,712,838	8,252,118
Other	156,470	163,749
	11,360,543	11,344,137

The geographical analysis of customers' deposits is as follows:

	2022 AED '000	2021 AED '000
Within the UAE	11,304,343	10,490,402
Outside the UAE	56,200	853,735
	11,360,543	11,344,137

19. Islamic customers' deposits

	2022 AED '000	2021 AED '000
Current accounts	109,861	153,251
Saving accounts	970	598
Investment deposits	715,134	1,048,865
Other	13,317	27,319
	839,282	1,230,033

19. Islamic customers' deposits (continued)

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

	2022 AED '000	2021 AED '000
Within the UAE	838,311	1,230,033
Outside the UAE	971	-
	839,282	1,230,033

20. Payables and other liabilities

	2022 AED '000	2021 AED '000
Non-financial liabilities		
Unearned commission	7,369	7,345
Liability arising from defined benefit obligation (see 20.1)	43,670	36,199
Value Added Tax (VAT) payable	97	645
ECL allowance	38,525	31,864
	89,661	76,053
Financial liabilities		
Interest payable	80,939	41,355
Profit payable	7,233	3,022
Lease liability	23,943	30,005
Cheques and drafts payable	13,523	28,497
Customer acceptances	1,880,188	3,009,550
Zakat payable (see 20.2)	1,778	1,178
Other	148,453	98,553
	2,156,057	3,212,160
	2,245,718	3,288,213

20.1 Retirement benefit plans

20.1.1 Defined contribution plan

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

20.1.2 Defined benefit plan

The Group sponsors defined benefit plan for qualifying employees as per the UAE Labour Law. Under the plan the employees' entitlement to the benefit is based upon the employees' salary and length of service, subject to completion of minimum service period.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2022 and 31 December 2021 by an independent Actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

20. Payables and other liabilities (continued)

20.1 Retirement benefit plans (continued)

20.1.2 Defined benefit plan (continued)

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

	2022	**2021**
Discount rate	**5.3%**	**2.6%**
Expected rate of salary increase	**3.0%**	**3.0%**

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

	2022 AED '000	**2021 AED '000**
Service cost:		
Current service cost	13,814	5,515
Interest expense	904	816
	14,718	6,331

Amounts recognised in other comprehensive income are as follows:

	2022 AED '000	**2021 AED '000**
Actuarial gains and losses arising from changes in assumptions	12,122	1,571
Other remeasurement of net defined benefit liability	(9,011)	945
	3,111	2,516

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

	2022 AED '000	**2021 AED '000**
Present value of defined benefit obligation	43,670	36,199

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

	2022 AED '000	**2021 AED '000**
Balance at 1 January	36,199	38,162
Service cost	13,814	5,515
Interest expense	904	816
Remeasurement (gain)	(3,113)	(2,516)
Benefits paid during the year	(4,134)	(5,778)
Balance at 31 December	43,670	36,199

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

20. Payables and other liabilities (continued)

20.1 Retirement benefit plans (continued)

20.1.2 Defined benefit plan (continued)

If the discount rate is 50 basis points higher, the defined benefit obligation would decrease by 4.3% (2021: AED 4.9%) and if the discount rate is 50 basis points lower, the defined benefit obligation would increase by 4.6% (2021: 5.3%).

If the expected rate of salary increase increases by 50 basis points, the defined benefit obligation would increase by 4.6% (2021: AED 5.1% million) and If the expected rate of salary decreases by 50 basis points, the defined benefit obligation would decrease by 4.3% (2021: 4.8%).

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

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

20.2 Zakat Payable

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

21. Share capital

The authorised, issued, and paid-up capital of the Bank comprises 1,737,383,050 shares of AED 1 each (2021: 1,737,383,050 shares of AED 1 each). Fully paid-up shares carry one vote per share and carry a right to dividends.

22. Tier 1 Capital Securities

On 23 December 2015, the Bank issued Tier 1 Capital Securities (the “Capital Securities”) through an SPV, CBI Tier 1 Private Ltd, (the “Issuer”) amounting to USD 125 million (AED 459.125 million). These Capital Securities are perpetual and carry an interest rate of 6% revised from the earlier rate of 6.5% (calculated based on the relevant Six- Years Mid Swap Rate plus 4.71 percent per annum) during the “initial period”. After the initial period, at every reset date, interest would be calculated for the next reset period at the relevant Six-Year Mid Swap Rate plus a margin of 4.71 percent per annum.

Interest is payable semi-annually in arrears on these Capital Securities. The “Initial Period” is the period (from and including) the Issue Date to (but excluding) the First Call Date. The “Reset Date” is the First Call Date and every sixth anniversary thereafter. These Capital Securities are callable by the Bank on 23 June 2023 and every interest payment date thereafter. The right to redeem the Capital Securities will only happen upon satisfying the agreed condition of the agreement.

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

23. Reserves

23.1 Statutory reserve

In accordance with UAE Federal Law and the Bank's Articles of Association, a transfer equivalent to at least 10% of the annual net profit is made annually to the statutory reserve until such reserve equals 50% of the paid-up share capital. The allocation of both the reserves of 2021 and 2022 was done during the year.

The transfer for the year ended 31 December 2021 was not reflected in the prior year consolidated financial statements of the Group and therefore in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors the comparative figures have now been restated to reflect this transfer.

23.2 General reserve

In accordance with the Bank's Articles of Association, a transfer equivalent to at least 10% of the annual net profit should be made to a general reserve each year until the value of the reserve is equal to 50% of the nominal value of the issued share capital. The allocation of the reserve of 2021 and 2022 was done during the year.

The transfer for the year ended 31 December 2021 was not reflected in the prior year consolidated financial statements of the Group and therefore in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors the comparative figures have now been restated to reflect this transfer.

23.3 Investments revaluation reserve

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

23.4 CBUAE provision reserve

CBUAE provision reserve comprise of following

	2022 AED '000	2021 AED '000
Specific provision reserve	284,203	273,491
	284,203	273,491

23.4.1 Specific provision reserve

In accordance with the requirements of CBUAE the excess of the credit impairment provisions calculated in accordance with CBUAE requirements over the ECL allowance for stage 3 exposures calculated under IFRS 9 is transferred to 'specific provision reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends. Had the Group taken provision in accordance with the requirements of the CBUAE, the profit for the year would have been lower by 10.7 million (2021: lower by AED 57.5 million).

23.4.2 General provision reserve

In accordance with the requirements of CBUAE the excess of the credit impairment provisions of 1.5% of total credit risk weighted assets calculated in accordance with CBUAE requirements over the ECL allowance of stage 1 and stage 2 exposures calculated under IFRS 9 is transferred to 'general provision reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends. Had the Group taken provision in accordance with the requirements of the CBUAE, the profit for the year would have been Nil (2021: Nil).

23. Reserves (continued)

23.4 CBUAE provision reserve (continued)

23.4.2 General provision reserve (continued)

The movement in these reserves is as follows:

	Statutory reserve AED '000	General reserve AED '000	Investment revaluation reserve AED '000	CBUAE specific provision reserve AED '000	CBUAE general provision reserve AED '000	Total AED '000
2022						
As at 1 January - Restated	285,202	16,424	(77,639)	273,491	-	497,478
Other comprehensive loss	-	-	(69,843)	-	-	(69,843)
Transfers to reserves	15,047	15,047	82,677	10,712	-	123,483
As at 31 December	300,249	31,471	(64,805)	284,203	-	551,118
2021						
As at 1 January	272,146	3,368	(68,947)	215,989	-	422,556
Other comprehensive loss	-	-	(8,692)	-	-	(8,692)
Transfers to reserves	13,056	13,056	-	57,502	-	83,614
As at 31 December - restated	285,202	16,424	(77,639)	273,491	-	497,478

24. Non-controlling interests

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

	% of ownership and voting rights		Profit allocated to non-controlling interests for the year		Non-controlling interests	
	2022	2021	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
IFB	**99.4%**	99.4%	-	1	-	342
AKPI	**52.8%**	52.8%	33,233	8,777	103,337	69,762
			33,233	8,778	103,337	70,104

24. Non-controlling interests (continued)

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

	2022 AED '000	2021 AED '000
Current assets	218,273	147,865
Non-current assets	-	-
Total assets	218,273	147,865
Current liabilities	-	-
Non-current liabilities	-	-
Equity attributable to the owners of AKPI	218,273	147,865
Non-controlling interests	-	-
Total liabilities and equity	218,273	147,865
Net income from financial assets at FVTPL	70,408	18,596
Expenses	-	-
Profit for the year	70,408	18,596
Other comprehensive income for the year	-	-
Total comprehensive income for the year	70,408	18,596
Total comprehensive income for the year attributable to:		
Owners of AKPI	37,175	9,819
Non-controlling interests	33,233	8,777
	70,408	18,596

25. Interest income

	2022 AED '000	2021 AED '000
Loans and overdrafts	568,495	472,381
Bills discounted	12,288	8,954
Debt instruments	46,284	29,943
Placements with banks	27,180	1,546
	654,247	512,824

26. Income from Islamic financing and investing assets

	2022 AED '000	2021 AED '000
Murabaha	8,481	11,696
Ijarah	19,266	17,703
Islamic sukuk	18,186	20,231
Wakala	172	27
	46,105	49,657

27. Interest expense

	2022 AED '000	2021 AED '000
Customers' deposits	211,442	137,384
Borrowings from banks	47,954	23,983
Others	3,009	16,370
	262,405	**177,737**

28. Distribution to Islamic depositors

	2022 AED '000	2021 AED '000
Islamic customers' deposits	18,375	7,635
Islamic investment deposits from banks	21,768	1,034
	40,143	8,669

29. Net fee and commission income

	2022 AED '000	2021 AED '000
Fee and commission income:		
Commission on trade finance products	47,964	51,067
Advisory fee	12,597	24,639
Facility processing fee	25,466	27,172
Account service fee	3,626	5,270
Banking fee and commission	4,814	6,997
Insurance commission	3,308	4,007
Credit card related fee	7,250	8,607
Clearing and settlement fee	8,023	6,308
Other	3,075	1,897
	116,123	135,964
Fee and commission expense:		
Credit card related expenses	(8,861)	(7,594)
Other	(5,999)	(7,226)
	(14,860)	(14,820)
	101,263	121,144

30. Other operating income, net

	2022 AED '000	2021 AED '000
Foreign exchange gains	16,612	13,377
Net income from financial assets at FVTPL	72,469	18,891
Amortisation of day 1 profit	-	7,433
Gain on sale of Property and Equipment	59	30,020
Gain on sale of Property inventory and Investment property	12,275	-
Other	2,327	4,845
	103,742	74,566

31. General and administrative expenses

	2022 AED '000	2021 AED '000
Payroll and related expenses	210,514	173,705
Contributions to defined contribution plan	3,254	3,593
Rent	984	3,622
Amortisation of intangible assets	13,669	18,288
Depreciation on property and equipment	19,923	20,923
Depreciation on investment properties	1,279	2,823
Directors' expenses	116	81
Insurance expense	10,469	9,001
Consultation fees	19,214	13,952
Maintenance costs	24,027	23,071
Other	24,294	33,578
	327,743	302,637

32. Net impairment loss on financial assets

	2022 AED '000	2021 AED '000
Net ECL charge for the year	161,221	240,282
Recoveries against written off loans	(37,202)	(44,818)
Other	2,669	2,557
	126,688	198,021

33. Net reversal on non-financial assets

	2022 AED '000	2021 AED '000
Impairment loss on property inventory	200	5,231
Net Reversal on investment properties	(2,292)	(1,265)
(Reversal)/impairment loss on other non-financial assets	-	(3,402)
	2,092	564

34. Contingent liabilities and commitments

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

34.1 Letters of credit and guarantees

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

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

34. Contingent liabilities and commitments (continued)

34.1 Letters of credit and guarantees (continued)

	2022 AED '000	2021 AED '000
Guarantees	2,602,806	2,255,534
Letters of credit	335,451	146,235
	2,938,257	2,401,769

34.2 Other commitments

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

	2022 AED '000	2021 AED '000
Loan commitments	1,476,380	1,766,778
Capital commitments	13,145	4,586
	1,489,525	1,771,364

35. Basic and diluted earnings per share

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

	2022	2021
Profit for the period attributable to owners of the Bank (AED '000)	117,237	121,777
Weighted average number of shares in issue ('000)	1,737,383	1,737,383
Basic and diluted earnings per share (AED)	0.067	0.070

36. Cash and cash equivalents

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

	2022 AED '000	2021 AED '000
Cash and balances with the Central Banks	2,632,565	2,403,425
Financial Assets measured at amortized cost	285,311	899,855
Deposits and balances due from banks	465,597	98,985
	3,383,473	3,402,265
Less: Statutory reserve with the Central Bank of the UAE (note 6)	(219,584)	(354,741)
Less: Balances due from banks with original maturity of 90 days or more	(403,986)	-
Less: Financial Assets measured at amortized cost with original maturity of 90 days or more	(235,509)	-
	2,524,394	3,047,524

37. Classification of financial assets and financial liabilities

37.1 Non-derivative financial assets and financial liabilities

	At fair value		At amortised cost		Total	
	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Non-derivative financial assets						
Cash and balances with the Central Banks	-	-	2,632,565	2,403,425	2,632,565	2,403,425
Deposits and balances due from banks	-	-	465,597	98,985	465,597	98,985
Loans and advances to customers	-	-	13,019,881	12,266,982	13,019,881	12,266,982
Islamic financing and investing assets	-	-	541,548	627,470	541,548	627,470
Receivables and other assets	-	-	2,114,750	3,238,483	2,114,750	3,238,483
Investment securities at fair value	264,009	256,955	-	-	264,009	256,955
Investment securities measured at amortised cost	-	-	2,094,002	2,237,969	2,094,002	2,237,969
	264,009	256,955	20,868,343	20,873,314	21,132,352	21,130,269
Derivative financial assets - FVTPL	6,604	16,917	-	-	6,604	16,917
	270,613	273,872	20,868,343	20,873,314	21,138,956	21,147,186
Non-derivative financial liabilities						
Balance due to the Central Banks	-	-	1,748	16,182	1,748	16,182
Deposits and balances due to banks	-	-	4,014,531	2,262,654	4,014,531	2,262,654
Customers' deposits	-	-	11,360,543	11,344,137	11,360,543	11,344,137
Islamic customers' deposits	-	-	839,282	1,230,033	839,282	1,230,033
Payables and other liabilities	-	-	2,156,057	3,212,160	2,156,057	3,212,160
	-	-	18,372,161	18,065,166	18,372,161	18,065,166
Derivative financial liabilities - FVTPL	6,084	17,976	-	-	6,084	17,976
	6,084	17,976	18,372,161	18,065,166	18,378,245	18,083,142

38. Financial risk management

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

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

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

38.1 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

38.1.1 Management of credit risk

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

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

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

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.2 Significant increase in credit risk

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

Internal credit risk ratings

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

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

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

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

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

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.2 Significant increase in credit risk (continued)

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

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

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

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.2 Significant increase in credit risk (continued)

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

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

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

38.1.3 Incorporation of forward-looking information

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

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

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

- Real Private Consumption Expenditure, (Bil. 2010 AED)
- Consumer Price Index: Total, (Index 2014=100)
- Augmented economic composite indicator, (% Y/Y)
- General Government Finance: Revenue, (Bil. AED)
- Hotel occupancy, (%) – Dubai
- Residential property prices: All dwellings, (AED per m^2) – Dubai
- Labor Force Survey: Unemployment Rate, (%)
- Share Price Index: ADX General Index, (Index)

Predicted relationships between the key macroeconomic indicators and default rates of respective portfolios of financial assets have been developed based on analyzing historical data over the past 9 years. Models are reviewed and monitored for appropriateness at the end of each reporting period.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.3 Incorporation of forward-looking information (continued)

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

December 2022

	2023	2024	2025
Augmented economic composite indicator, (% Y/Y)			
▪ Base scenario	(0.02)	2.06	1.81
▪ Adverse scenario	(4.58)	0.79	1.75
Hotel occupancy, (%)			
▪ Base scenario	77.80	78.70	79.15
▪ Adverse scenario	69.63	72.96	77.43
Residential property prices: All dwellings, (AED per m²,)			
▪ Base scenario	12,613	12,593	12,938
▪ Adverse scenario	11,240	11,085	11,665
Labor Force Survey: Unemployment Rate, (%,)			
▪ Base scenario	2.85	2.57	2.45
▪ Adverse scenario	3.50	2.91	2.64
Consumer Price Index: Total, (Index 2014=100)			
▪ Base scenario	114.74	116.89	118.81
▪ Adverse scenario	115.22	116.95	118.86
Real Private Consumption Expenditure, (Bil. 2010 AED)			
▪ Base scenario	532	555	568
▪ Adverse scenario	509	515	518
General Government Finance: Revenue, (Bil. AED)			
▪ Base scenario	579	560	564
▪ Adverse scenario	522	499	530
Share Price Index: ADX General Index, (Index)			
▪ Base scenario	8,902	8,989	9,018
▪ Adverse scenario	7,629	8,316	8,481

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2021 for the years 2022 to 2024, for the United Arab Emirates, which is the country where the Group operates and therefore is the country that has a material impact on ECL.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.3 Incorporation of forward-looking information (continued)

December 2021

	2022	2023	2024
Real estate AD (average residential price, AED/m2)			
▪ Base scenario	10,292	10,682	11,106
▪ Adverse scenario	8,761	9,275	9,728
ECI (year-on-year % change)			
▪ Base scenario	3.26%	3.31%	3.30%
▪ Adverse scenario	0.05%	3.14%	3.14%
Oil Production (thousand barrels per day)			
▪ Base scenario	2,840	2,912	2,991
▪ Adverse scenario	2,655	2,721	2,803
Average oil price per barrel (USD)			
▪ Base scenario	59.75	60.00	61.20
▪ Adverse scenario	37.47	41.83	48.25
Inflation, average consumer price index (year-on-year % change)			
▪ Base scenario	2.00%	2.00%	2.00%
▪ Adverse scenario	1.36%	1.63%	1.95%
Emirates interbank offer rate: EIBOR			
▪ Base scenario	0.69%	1.00%	1.46%
▪ Adverse scenario	0.36%	0.60%	0.88%
Dubai stock price index: Dubai Financial Market General Index			
▪ Base scenario	2,843	3,004	3,154
▪ Adverse scenario	1,488	1,635	1,831
Annual UAE real investment (AED billion 2010 prices)			
▪ Base scenario	50.12	51.51	52.93
▪ Adverse scenario	41.36	42.26	43.35
Annual UAE imports (AED billion 2010 prices)			
▪ Base scenario	282.68	290.65	298.79
▪ Adverse scenario	238.52	244.06	250.54
Annual UAE real consumption (AED billion 2010 prices)			
▪ Base scenario	125.14	128.66	132.26
▪ Adverse scenario	107.13	109.68	112.61

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.3 Incorporation of forward-looking information (continued)

The Group has performed a sensitivity analysis on how ECL on the main portfolios would change if the key macroeconomic indicators used to calculate ECL change by 5%. The table below outlines the total ECL per portfolio as at 31 December 2022 and 31 December 2021, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 5%. The changes are applied in isolation and are applied to each probability weighted scenario used to develop the estimate of expected credit losses. In reality, there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

December 2022	**Retail lending AED ’000**	**Wholesale lending AED ’000**	**Due from banks AED ’000**	**Investment securities AED ’000**
Augmented economic composite indicator, (% Y/Y)				
▪ +5%	(121)	-	-	-
▪ -5%	119	-	-	-
Hotel occupancy, (%)				
▪ +5%	(559)	-	-	-
▪ -5%	602	-	-	-
Residential property prices: All dwellings, (AED per m²,)				
▪ +5%	(656)	-	-	-
▪ -5%	777	-	-	-
Labor Force Survey: Unemployment Rate, (%,)				
▪ +5%	(20)	-	-	-
▪ -5%	21	-	-	-
Consumer Price Index: Total, (Index 2014=100)				
▪ +5%	(109)	(54,578)	(4,170)	(6,390)
▪ -5%	137	117,435	9,205	14,243
Real Private Consumption Expenditure, (Bil. 2010 AED)				
▪ +5%	(51)	-	-	-
▪ -5%	61	-	-	-
General Government Finance: Revenue, (Bil. AED)				
▪ +5%	(2)	(8,422)	619	951
▪ -5%	2	9,322	697	1,072
Share Price Index: ADX General Index, (Index)				
▪ +5%	(1)	(2,498)	(188)	289
▪ -5%	1	2,794	220	338

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.3 Incorporation of forward-looking information (continued)

	Retail lending AED '000	Wholesale lending AED '000	Due from banks AED '000	Investment securities AED '000
December 2021				
Real estate AD (average residential price, AED/m2)				
▪ +5%	(884)	-	-	-
▪ -5%	1,008	-	-	-
Real GDP (year-on-year % change)				
▪ +5%	(224)	-	-	-
▪ -5%	204	-	-	-
Average oil price per barrel (USD)				
▪ +5%	(0.3)	(3,105)	(46)	(171)
▪ -5%	0.4	4,483	66	245
Oil Production (thousand barrels per day)				
▪ +5%	(40)	-	-	-
▪ -5%	50	-	-	-
Annual UAE real investment (AED billion 2010 prices)				
▪ +5%	(0.4)	(5,424)	(81)	(300)
▪ -5%	0.4	5,547	82	304
Annual UAE imports (AED billion 2010 prices)				
▪ +5%	(0.2)	(1,755)	(26)	(97)
▪ -5%	0.2	2,476	37	135

38.1.4 Measurement of ECL

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

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

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

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

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.4 Measurement of ECL (continued)

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

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce, in the normal day-to-day management, the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

38.1.5 Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics such as instrument type, credit risk grade, utilisation band and collateral type. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

38.1.6 Credit quality

Credit risk concentrations

An analysis of the Group's credit risk concentrations per class of financial asset, subject to impairment, is provided in the following tables. The amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

Concentration by sector	**2022 AED '000**	**2021 AED '000**
Balances with Central Banks		
Central banks	2,632,565	2,403,425
Deposits and balances due from banks		
Other banks	465,597	98,985
Loans and advances to customers		
Retail lending		
Mortgages	727,343	809,161
Unsecured lending	429,151	458,007
	1,156,494	1,267,168
Wholesale lending		
Real estate	3,261,428	2,782,264
Construction	608,489	556,277
Trade	1,680,744	1,962,327
Manufacturing	756,493	665,741
Transport, storage and communication	204,867	129,718
Gas, electricity and water	1,049,509	942,703
Government	1,077,938	-
Other	3,223,919	3,960,784
	11,863,387	10,999,814
Islamic financing and investing assets		
Wholesale lending		
Real estate	173,816	175,467
Construction	65,605	82,184
Trade	9,371	93
Manufacturing	32,973	47,006
Non-Banking Financial Institutions	38,814	-
Other	220,969	322,720
	541,548	627,470
Receivables and other assets		
Construction	72,738	55,051
Trade	1,597,134	2,708,665
Manufacturing	219,176	242,261
Other	225,702	232,506
	2,114,750	3,238,483
Investment securities measured at amortised cost		
Sovereign governments	1,995,044	2,237,969
Other	98,958	-
	2,094,002	2,237,969
Loan commitments, letters of credit and financial guarantee contracts		
Retail lending	168,886	173,265
Real estate	237,807	92,405
Construction	2,725,345	2,425,561
Trade	344,679	307,615
Manufacturing	448,003	348,367
Transport, storage and communication	24,766	32,523
Gas, electricity and water	30,284	30,183
Financial Institutions and Non-Banking Financial Institutions	151,273	-
Other	283,596	758,628
	4,414,639	4,168,547
	25,282,982	25,041,861

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

Concentration by region

	2022 AED '000	2021 AED '000
The UAE	21,581,811	23,367,195
The GCC	1,415,130	1,128,940
Other Arab countries	662,710	2,674
Europe	102,623	68,020
The USA	26,037	45,280
Asia	1,274,443	280,063
Other	220,228	149,689
	25,282,982	25,041,861

Credit risk exposure per class of financial asset, internal rating and stage

An analysis of the Group's credit risk exposure per class of financial asset (subject to impairment), internal rating and stage without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. These amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

- **Balances with Central Banks**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	2,632,565	-	-	-	2,632,565
Gross carrying amounts	2,632,565	-	-	-	2,632,565
ECL allowance	-	-	-	-	
Carrying amount	2,632,565	-	-	-	2,632,565
31 December 2021					
Low to fair risk	2,403,425	-	-	-	2,403,425
Gross carrying amounts	2,403,425	-	-	-	2,403,425
ECL allowance	-	-	-	-	-
Carrying amount	2,403,425	-	-	-	2,403,425

- **Deposits and balances due from banks**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	16,935	-	-	-	16,935
Standard monitoring	448,652	-	-	-	448,652
Watch	10	-	-	-	10
Gross carrying amounts	465,597	-	-	-	465,597
ECL allowance	(7,149)	-	-	-	(7,149)
Carrying amount	458,448	-	-	-	458,448

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Deposits and balances due from banks** (continued)

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2021					
Low to fair risk	98,985	-	-	-	98,985
Gross carrying amounts	98,985	-	-	-	98,985
ECL allowance	(1,143)	-	-	-	(1,143)
Carrying amount	97,842	-	-	-	97,842

- **Loans and advances to customers - retail lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	972,882	-	-	-	972,882
Standard monitoring	37,217	-	-	-	37,217
Watch	-	51,236	-	-	51,236
Substandard	-	-	4,204	-	4,204
Doubtful	-	-	8,173	-	8,173
Impaired	-	-	82,782	-	82,782
Gross carrying amounts	1,010,099	51,236	95,159	-	1,156,494
ECL allowance	(6,596)	(7,435)	(20,782)	-	(34,813)
Carrying amount	1,003,503	43,801	74,377	-	1,121,681
31 December 2021					
Low to fair risk	1,008,251	-	-	-	1,008,251
Standard monitoring	52,639	-	-	-	52,639
Watch	-	98,626	-	-	98,626
Substandard	-	-	7,093	-	7,093
Doubtful	-	-	6,445	-	6,445
Impaired	-	-	94,115	-	94,115
Gross carrying amounts	1,060,890	98,626	107,653	-	1,267,169
ECL allowance	(10,794)	(15,562)	(20,646)	-	(47,002)
Carrying amount	1,050,096	83,064	87,007	-	1,220,167

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loans and advances to customers - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	4,133,662	-	-	-	4,133,662
Standard monitoring	4,142,513	-	-	-	4,142,513
Watch	-	1,599,542	-	-	1,599,542
Substandard	-	-	507,191	-	507,191
Doubtful	-	-	59,012	-	59,012
Impaired	-	-	1,421,467	-	1,421,467
Gross carrying amounts	8,276,175	1,599,542	1,987,670	-	11,863,387
ECL allowance	(60,122)	(148,015)	(366,498)	-	(574,635)
Carrying amount	8,216,053	1,451,527	1,621,172	-	11,288,752
31 December 2021					
Low to fair risk	2,989,024	-	-	-	2,989,024
Standard monitoring	3,931,402	-	-	-	3,931,402
Watch	-	1,986,748	-	-	1,986,748
Substandard	-	-	240,335	-	240,335
Doubtful	-	-	896,344	-	896,344
Impaired	-	-	955,961	-	955,961
Gross carrying amounts	6,920,426	1,986,748	2,092,640	-	10,999,814
ECL allowance	(53,295)	(113,247)	(896,091)	-	(1,062,633)
Carrying amount	6,867,131	1,873,501	1,196,549	-	9,937,181

- **Islamic financing and investing assets - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	276,229	-	-	-	276,229
Standard monitoring	78,823	-	-	-	78,823
Substandard	-	-	149,600	-	149,600
Doubtful	-	-	36,896	-	36,896
Gross carrying amounts	**355,052**	**-**	**186,496**	**-**	**541,548**
ECL allowance	(1,097)	-	(26,752)	-	(27,849)
Carrying amount	**353,955**	**-**	**159,744**	**-**	**513,699**
31 December 2021					
Low to fair risk	63,628	-	-	-	63,628
Standard monitoring	372,541	-	-	-	372,541
Watch	-	191,301	-	-	191,301
Gross carrying amounts	436,169	191,301	-	-	627,470
ECL allowance	(3,960)	(2,087)	-	-	(6,047)
Carrying amount	432,209	189,214	-	-	621,423

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Receivables and other assets**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	1,072,338	-	-	-	1,072,338
Standard monitoring	822,865	-	-	-	822,865
Watch	-	56,518	-	-	56,518
Doubtful	-	-	163,029	-	163,029
Gross carrying amounts	1,895,203	56,518	163,029	-	2,114,750
ECL allowance	(3,225)	(1,299)	-	-	(4,524)
Carrying amount	1,891,978	55,219	163,029	-	2,110,226
31 December 2021					
Low to fair risk	2,559,738	-	-	-	2,559,738
Standard monitoring	634,194	-	-	-	634,194
Watch	-	44,551	-	-	44,551
Gross carrying amounts	3,193,932	44,551	-	-	3,238,483
ECL allowance	(3,131)	(1,476)	-	-	(4,607)
Carrying amount	3,190,801	43,075	-	-	3,233,876

- **Investment securities measured at amortised cost**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	1,163,554	-	-	-	1,163,554
Standard monitoring	930,448	-	-	-	930,448
Gross carrying amounts	2,094,002	-	-	-	2,094,002
ECL allowance	(11,025)	-	-	-	(11,025)
Carrying amount	2,082,977	-	-	-	2,082,977
31 December 2021					
Low to fair risk	1,697,720	-	-	-	1,697,720
Standard monitoring	540,249	-	-	-	540,249
Gross carrying amounts	2,237,969	-	-	-	2,237,969
ECL allowance	(4,338)	-	-	-	(4,338)
Carrying amount	2,233,631	-	-	-	2,233,631

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loan commitments, letters of credit and financial guarantee contracts**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
31 December 2022					
Low to fair risk	2,231,073	-	-	-	2,231,073
Standard monitoring	1,588,220	-	-	-	1,588,220
Watch	-	327,051	-	-	327,051
Substandard	-	-	3,042	-	3,042
Doubtful	-	-	144,083	-	144,083
Impaired	-	-	121,169	-	121,169
Gross carrying amounts	3,819,293	327,051	268,294	-	4,414,638
ECL allowance	(11,249)	(7,055)	(20,221)	-	(38,525)
Net exposure	3,808,044	319,996	248,073	-	4,376,113
31 December 2021					
Low to fair risk	1,863,354	-	-	-	1,863,354
Standard monitoring	1,807,293	-	-	-	1,807,293
Watch	-	370,165	-	-	370,165
Substandard	-	-	127,477	-	127,477
Doubtful	-	-	256	-	256
Impaired	-	-	2	-	2
Gross carrying amounts	3,670,647	370,165	127,735	-	4,168,547
ECL allowance	(12,874)	(11,989)	(7,001)	-	(31,864)
Net exposure	3,657,773	358,176	120,734	-	4,136,683

The carrying amounts of the Group's financial assets at fair value (not subject to impairment) as disclosed in note 38 best represents the assets' maximum exposure to credit risk.

Expected credit loss allowance

This table summarises the ECL allowance/impairment allowance at the end of reporting period by class of financial asset.

	2022 AED '000	2021 AED '000
Deposits and balances due from banks	7,149	1,143
Loans and advances to customers - retail lending	34,813	47,002
Loans and advances to customers - wholesale lending	574,635	1,062,633
Islamic financing and investing assets - wholesale lending	27,849	6,047
Receivables and other assets	4,524	4,607
Other financial assets measured at amortised cost	11,025	4,338
Contingencies and commitments	38,525	31,864
	698,520	1,157,634

38 Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

The tables below analyse the movement of the ECL allowance during the year per class of financial assets.

- **Deposits and balances due from banks**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2022	1,143	-	-	-	1,143
Change in credit risk	213	-	-	-	213
New financial assets recognized	6,779	-	-	-	6,779
Financial assets derecognised	(986)	-	-	-	(986)
As at 31 December 2022	7,149	-	-	-	7,149
As at 1 January 2021	98	-	-	-	98
Financial assets derecognised	1,045	-	-	-	1,045
As at 31 December 2021	1,143	-	-	-	1,143

- **Loans and advances to customers - retail lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2022	10,794	15,562	20,646	-	47,002
Transfer to stage 1	6,941	(6,883)	(58)	-	-
Transfer to stage 2	(545)	1,098	(553)	-	-
Transfer to stage 3	(170)	(2,953)	3,123	-	-
Change in credit risk	(9,241)	3,400	9,560	-	3,719
Write-offs	(245)	(3,250)	(3,916)	-	(7,411)
New financial assets recognised	1,446	1,660	-	-	3,106
Financial assets derecognised	(2,385)	(1,198)	(8,020)	-	(11,603)
As at 31 December 2022	6,595	7,436	20,782	-	34,813
As at 1 January 2021	9,041	41,263	20,773	-	71,077
Transfer to stage 1	19,624	(19,624)	-	-	-
Transfer to stage 2	(396)	2,767	(2,371)	-	-
Transfer to stage 3	(110)	(1,638)	1,748	-	-
Change in credit risk	(16,362)	2,715	9,250	-	(4,397)
Write-offs	(159)	(8,333)	(8,705)	-	(17,197)
New financial assets recognised	486	368	124	-	978
Financial assets derecognised	(1,330)	(1,956)	(173)	-	(3,459)
As at 31 December 2021	10,794	15,562	20,646	-	47,002

During the year, the Board of Directors approved the write-off of certain loans and advances since the Group has no reasonable expectations of recovering these loans

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loans and advances to customers - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2022	53,295	113,247	896,091	-	1,062,633
Transfer to stage 2	(2,422)	8,889	(6,467)	-	-
Transfer to stage 3	-	(27,483)	27,483	-	-
Change in credit risk	6,280	30,811	89,271	-	126,362
Write-offs	-	-	(636,351)	-	(636,351)
New financial assets recognised	23,725	29,288	-	-	53,012
Financial assets derecognised	(20,756)	(6,737)	(3,529)	-	(31,021)
As at 31 December 2022	60,122	148,015	366,498	-	574,635
As at 1 January 2021	28,041	120,540	656,192	-	804,773
Transfer to stage 1	3,428	(3,428)	-	-	-
Transfer to stage 2	(2,064)	2,064	-	-	-
Transfer to stage 3	(59)	(17,780)	17,839	-	-
Change in credit risk	7,097	16,412	219,678	-	243,187
Write-offs	-	-	-	-	-
New financial assets recognized	22,012	1,429	5,744	-	29,185
Financial assets derecognized	(5,160)	(5,990)	(3,362)	-	(14,512)
As at 31 December 2021	53,295	113,247	896,091	-	1,062,633

- **Islamic financing and investing assets - wholesale lending**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2022	3,960	2,087	-	-	6,047
Transfer to stage 3	-	(1,658)	1,658	-	-
Change in credit risk	(1,943)	-	25,094	-	23,151
New financial assets recognized	830	-	-	-	830
Financial assets derecognised	(1,750)	(429)	-	-	(2,179)
As at 31 December 2022	1,097	-	26,752	-	27,849
As at 1 January 2021	2,822	-	-	-	2,822
Transfer to stage 1	(200)	200	-	-	-
Change in credit risk	1,126	1,887	-	-	3,013
New financial assets recognized	215	-	-	-	215
Financial assets derecognised	(3)	-	-	-	(3)
As at 31 December 2021	3,960	2,087	-	-	6,047

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Receivables and other assets**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2022	3,131	1,476	-	-	4,607
New financial assets recognized	3,226	1,299	-	-	4,525
Financial assets derecognised	(3,132)	(1,476)	-	-	(4,608)
As at 31 December 2022	3,225	1,299	-	-	4,524
As at 1 January 2021	2,328	67	-	-	2,395
Change in credit risk	956	179	-	-	1,135
New financial assets recognized	2,134	1,297	-	-	3,431
Financial assets derecognised	(2,287)	(67)	-	-	(2,354)
As at 31 December 2021	3,131	1,476	-	-	4,607

- **Investment securities measured at amortised cost**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2022	4,338	-	-	-	4,338
New financial assets recognised	11,025	-	-	-	11,025
Financial assets derecognised	(4,338)	-	-	-	(4,338)
As at 31 December 2022	11,025	-	-	-	11,025
As at 1 January 2021	3,002	-	-	-	3,002
Change in credit risk	1,479	-	-	-	1,479
New financial assets recognised	622	-	-	-	622
Financial assets derecognised	(765)	-	-	-	(765)
As at 31 December 2021	4,338	-	-	-	4,338

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loan commitments, letters of credit and financial guarantee contracts**

	Stage 1 12 months ECL AED '000	Stage 2 Life time ECL AED '000	Stage 3 Life time ECL AED '000	POCI Life time ECL AED '000	Total AED '000
As at 1 January 2022	12,426	9,781	9,657	-	31,864
Transfer to stage 1	502	(499)	(3)	-	-
Transfer to stage 2	(1,054)	1,092	(38)	-	-
Transfer to stage 3	(1)	(3,504)	3,505	-	-
Change in credit risk	(1,513)	2,355	13,905	-	14,747
New financial guarantees and commitments recognised	4,852	725	-	-	5,577
Financial guarantees and commitments derecognized	(3,960)	(2,897)	(6,806)	-	(13,663)
As at 31 December 2022	11,242	7,053	20,220	-	38,525
As at 1 January 2021	12,210	4,421	4,988	-	21,619
Transfer to stage 1	234	(234)	-	-	-
Transfer to stage 2	(2,230)	2,247	(17)	-	-
Transfer to stage 3	(3)	(309)	312	-	-
Change in credit risk	1,564	4,088	4,056	-	9,708
New financial guarantees and commitments recognised	3,820	72	318	-	4,210
Financial guarantees and commitments derecognized	(3,169)	(504)	-	-	(3,673)
As at 31 December 2021	12,426	9,781	9,657	-	31,864

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided in the table below:

- **Balances with the Central Banks**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	2,403,425	-	-	-	2,403,425
Change in exposure	229,140	-	-	-	229,140
As at 31 December 2022	2,632,565	-	-	-	2,632,565
As at 1 January 2021	1,445,477	-	-	-	1,445,477
Change in exposure	957,948	-	-	-	957,948
As at 31 December 2021	2,403,425	-	-	-	2,403,425

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Deposits and balances due from banks**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	98,985	-	-	-	98,985
Change in exposure	(38,867)	-	-	-	(38,867)
New financial assets recognized	405,479	-	-	-	405,479
As at 31 December 2022	465,597	-	-	-	465,597
As at 1 January 2021	79,961	-	-	-	79,961
Change in exposure	19,024	-	-	-	19,024
As at 31 December 2021	98,985	-	-	-	98,985

- **Loans and advances to customers - retail lending**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	1,060,890	98,626	107,652	-	1,267,168
Transfer to stage 1	62,244	(62,155)	(89)	-	-
Transfer to stage 2	(26,841)	30,282	(3,441)	-	-
Transfer to stage 3	(6,278)	(8,560)	14,838	-	-
Change in exposure	(75,863)	(5,011)	5,148	-	(75,726)
Write-offs	(7,282)	(8,960)	(17,420)	-	(33,662)
New financial assets recognised	211,733	16,467	-	-	228,200
Financial assets derecognised	(208,503)	(9,453)	(11,530)	-	(229,486)
As at 31 December 2022	1,010,100	51,236	95,158	-	1,156,494
As at 1 January 2021	810,313	702,297	103,806	-	1,616,415
Transfer to stage 1	426,989	(426,989)	-	-	-
Transfer to stage 2	(15,443)	24,426	(8,983)	-	-
Transfer to stage 3	(8,496)	(27,056)	35,552	-	-
Change in exposure	(111,092)	(18,196)	(3,029)	-	(132,317)
Write-offs	(3,866)	(38,877)	(18,914)	-	(61,657)
New financial assets recognised	79,637	3,883	260	-	83,780
Financial assets derecognised	(117,152)	(120,862)	(1,040)	-	(239,054)
As at 31 December 2021	1,060,890	98,626	107,652	-	1,267,168

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loans and advances to customers - wholesale lending**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	6,920,426	1,986,748	2,092,640	-	10,999,814
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(207,291)	273,113	(65,822)	-	-
Transfer to stage 3	-	(644,500)	644,500	-	-
Change in exposure	(728,469)	(49,661)	51,582	-	(726,548)
Write-offs	-	-	(701,777)	-	(701,777)
New financial assets recognised	3,405,271	235,426	-	-	3,640,697
Financial assets derecognised	(1,113,762)	(201,583)	(33,454)	-	(1,348,799)
As at 31 December 2022	8,276,175	1,599,543	1,987,669	-	11,863,387
As at 1 January 2021	5,370,865	1,942,183	1,724,745	-	9,037,793
Transfer to stage 1	185,826	(185,826)	-	-	-
Transfer to stage 2	(832,465)	832,465	-	-	-
Transfer to stage 3	(6,537)	(318,390)	324,927	-	-
Change in exposure	120,010	(115,617)	41,311	-	45,704
New financial assets recognised	2,698,044	31,276	7,235	-	2,736,555
Financial assets derecognised	(615,317)	(199,343)	(5,578)	-	(820,238)
As at 31 December 2021	6,920,426	1,986,748	2,092,640	-	10,999,814

- **Islamic financing and investing assets - wholesale lending**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	436,169	191,301	-	-	627,470
Transfer to stage 3	-	(38,936)	38,936	-	-
Change in exposure	(1,125)	-	147,561	-	146,436
New financial assets recognized	92,196	-	-	-	92,196
Financial assets derecognised	(172,189)	(152,365)	-	-	(324,554)
As at 31 December 2022	355,051	-	186,497	-	541,548
As at 1 January 2021	596,307	-	-	-	596,307
Transfer to stage 2	(179,254)	179,254	-	-	-
Change in exposure	8,945	12,047	-	-	20,992
New financial assets recognized	32,917	-	-	-	32,917
Financial assets derecognised	(22,746)	-	-	-	(22,746)
As at 31 December 2021	436,169	191,301	-	-	627,470

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Receivables and other assets**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	3,193,934	44,549	-	-	3,238,483
Transfer to stage 3	(163,029)	-	163,029	-	-
Change in exposure	14,851	-	-	-	14,851
New financial assets recognized	1,814,448	56,518	-	-	1,870,966
Financial assets derecognized	(2,964,999)	(44,551)	-	-	(3,009,550)
As at 31 December 2022	1,895,205	56,516	163,029	-	2,114,750
As at 1 January 2021	2,465,852	2,651	-	-	2,468,503
Change in exposure	5,172		-	-	5,172
New financial assets recognized	2,964,999	44,551			3,009,550
Financial assets derecognized	(2,242,089)	(2,653)	-	-	(2,244,742)
As at 31 December 2021	3,193,934	44,549	-	-	3,238,483

- **Investment securities measured at amortised cost**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	2,237,969	-	-	-	2,237,969
New financial assets recognised	2,094,002	-	-	-	2,094,002
Financial assets derecognised	(2,237,969)	-	-	-	(2,237,969)
As at 31 December 2022	2,094,002	-	-	-	2,094,002
As at 1 January 2021	1,537,078	-	-	-	1,537,078
Change in exposure	(2,829)	-	-	-	(2,829)
New financial assets recognised	1,079,833	-	-	-	1,079,833
Financial assets derecognised	(376,113)	-	-	-	(376,113)
As at 31 December 2021	2,237,969	-	-	-	2,237,969

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Loan commitments, letters of credit and financial guarantee contracts**

	Stage 1 AED '000	Stage 2 AED '000	Stage 3 AED '000	POCI AED '000	Total AED '000
As at 1 January 2022	3,670,647	370,165	127,735	-	4,168,547
Transfer to stage 1	12,530	(12,505)	(25)	-	-
Transfer to stage 2	(151,059)	155,112	(4,053)	-	-
Transfer to stage 3	(397)	(145,292)	145,689	-	-
Change in exposure	(182,067)	9,000	(61)	-	(173,128)
New financial guarantees and commitments recognised	1,681,809	68,255	-	-	1,750,064
Financial guarantees and commitments derecognised	(1,212,171)	(117,691)	(984)	-	(1,330,846)
As at 31 December 2022	3,819,292	327,044	268,301	-	4,414,637
As at 1 January 2021	4,688,104	192,273	25,568	-	4,905,945
Transfer to stage 1	31,113	(31,113)		-	-
Transfer to stage 2	(427,562)	316,312	111,250	-	-
Transfer to stage 3	(209)	(9,393)	9,602	-	-
Change in exposure	(452,326)	(42,994)	(64)	-	(495,384)
New financial guarantees and commitments recognised	1,188,519	7,923	69	-	1,196,511
Financial guarantees and commitments derecognised	(1,356,992)	(62,843)	(18,690)	-	(1,438,525)
As at 31 December 2021	3,670,647	370,165	127,735	-	4,168,547

As discussed above in the significant increase in credit risk section, under the Group's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans and advances to customers and Islamic financing and investing assets and more specifically for retail lending exposures because for wholesale lending and other exposures there is more borrower specific information available which is used to identify significant increase in credit risk. The table below provides an analysis of the gross carrying amount of loans and advances to customers and Islamic financing and investing assets by risk grade and past due status.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.6 Credit quality (continued)

- **Past due but not impaired**

	Loans and advances to customers		Islamic financing and investing assets	
	2022 AED '000	**2021 AED '000**	**2022 AED '000**	**2021 AED '000**
Low to fair risk				
Past due up to 30 days	53,766	23,018	-	-
Standard monitoring				
Past due up to 30 days	237,689	511,448	-	-
Past due 31 - 60 days	-		-	-
Watch				
Past due up to 30 days	157,230	60,049	-	-
Past due 31 - 60 days	15,894	124,907	-	-
Past due 61 - 90 days	71,901	74,864	-	-
Past due 91 - 180 days	-	-	-	-
Past due of more than 180 days	-	583,268	-	-
	536,480	1,377,554	-	-

- **Neither past due nor impaired**

	Loans and advances to customers		Islamic financing and investing assets	
	2022 AED '000	**2021 AED '000**	**2022 AED '000**	**2021 AED '000**
Low to fair risk	5,052,779	3,974,368	276,230	62,702
Standard monitoring	3,942,044	3,483,744	78,822	376,682
Watch	1,405,750	1,724,416	-	188,086
	10,400,573	9,182,528	355,052	627,470

38.1.7 Identification of SICR event

As explained in note 38.1.2, if there is a significant increase in credit risk since initial recognition, the Group measures the loss allowance based on lifetime rather than 12-month ECL i.e. financial assets are migrated from stage 1 to stage 2. A SICR event occurs when there has been a significant increase in the risk of a default occurring, over the expected life of a financial instrument. The Group continuously reviews its portfolio for other indicators of unlikeliness to meet its financial obligations, any financial deterioration beyond temporary liquidity stress and whether it is likely to be short term or longer term.

Reasonableness of Forward-Looking Information and probability weights

As explained in note 38.1.3, through robust modelling technique, the Group has identified key macroeconomic variables influencing credit risk of each portfolio. Forecasts for these economic variables (for both baseline and adverse economic scenario) are sourced from Moody's Data buffet, which reflect the current and forecasted economic impacts in the fallout of Covid/ Geo political situations etc.

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.8 Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Group holds financial instruments of AED 5,146.3 million (2021: AED 5,241 million) for which no loss allowance is recognised because of collateral at the end of the reporting period. The estimated value of collaterals held at end of the reporting period is AED 10,468 million (2021: AED 10,308 million). This value of the collateral is only considered to the extent that mitigates the credit risk. There was no change in the Group's collateral policy during the year. The main types of collateral and the types of assets these are associated with are listed below.

Derivatives

The Group enters into derivatives bilaterally under International Swaps and Derivative Association (ISDA) master netting agreements. ISDA master netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. No financial instruments subject to master netting agreements are setoff in the statement of financial position. The Group executes a credit support annex in conjunction with each ISDA agreement, which requires the Group and each counterparty to post collateral to mitigate credit risk. Collateral is also posted daily in respect of derivatives transacted. The collateral posted with regards to open derivatives is cash or marketable securities.

Reverse sale and repurchase agreements (Reverse REPO)

Reverse sale and repurchase agreement (Reverse REPO) lending are collateralised by marketable securities. These lending agreements require the Group and each counterparty to post collateral to mitigate credit risk. Collateral is also posted daily in respect of shortfall in value of collaterals. The collateral posted with regards to Reverse REPO is cash or marketable securities.

Mortgage lending

The Group holds residential properties as collateral for the mortgage loans it grants to its customers. The Group monitors its exposure to retail mortgage lending using the LTV ratio, which is calculated as the ratio of the gross amount of the loan, or the amount committed for loan commitments, to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. At 31 December 2022 the net carrying amount of credit impaired mortgage lending was AED 65.1 million (2021: AED 87.1 million) and the value of the respective collateral was AED 95.1 million (2021: AED 128.4 million).

Personal lending

The Group's personal lending portfolio consists of unsecured loans and credit cards.

Wholesale lending

The Group requests collateral (including properties, equity shares and cash margins) and guarantees for wholesale lending (including loan commitments and financial guarantee contract). The most relevant indicator of wholesale customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason, the valuation of collateral held against wholesale lending is not routinely updated. The valuation of such collateral is updated if the loan is put on "watch-list" and is therefore monitored more closely.

For credit-impaired loans the Group obtains appraisals of collateral to inform its credit risk management actions. At 31 December 2022 the net carrying amount of credit impaired loans and advances to wholesale customers was AED 2,174.1 million (2021: AED 2,123.1 million) and the value of the respective collateral was AED 1,893.9 million (2021: AED 2,050.1 million).

38. Financial risk management (continued)

38.1 Credit risk (continued)

38.1.8 Collateral held as security and other credit enhancements (continued)

Investment securities

The Group holds investment securities measured at amortised cost. The investment securities held by the Group are sovereign bonds which are not collateralised.

Assets obtained by taking possession of collateral

The Group obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Group's policy is to realise collateral on a timely basis. The Group does not use non-cash collateral for its operations.

	2022 AED '000	2021 AED '000
Property	68,721	-
	68,721	-

38.2 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events.

38.2.1 Management of liquidity risk

Liquidity risk is managed by the Treasury in line with the regulatory and internal policies and guidelines.

The Group's approach to managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times and that it can withstand any major shocks to its liquidity position. Funds are raised using a broad range of instruments including customer deposits, money market instruments and capital. The Treasury monitor the liquidity profile of financial assets and liabilities and the projected cash flows arising from existing and future business. Treasury maintains a portfolio of short-term liquid assets and inter-bank placements to ensure that sufficient liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and abnormal market conditions. The Group's liquidity policy is set by the Board of Directors and is subject to annual review. Adherence to the policies is monitored by the Group Risk Management Department and Assets and Liability Committee (ALCO).

38.2.2 Exposure to liquidity risk

The key measures used by the Group for measuring liquidity risk are advances to stable resources (which is a regulatory measure) as well as the ratio of net liquid assets, i.e., total assets by maturity against total liabilities by maturity.

The Bank performs product-wise behavioural analysis for its financial instruments (including financial guarantee contracts) in order to analyse and ascertain appropriate level of liquidity requirements.

The following table summarises the maturity profile of the cash flows of the Group's financial assets and financial liabilities at the end of the reporting period based on their carrying amounts. The amounts disclosed in the table are determined on the basis of their earliest possible contractual maturity.

38. Financial risk management (continued)

38.2 Liquidity risk (continued)

38.2.2 Exposure to liquidity risk (continued)

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the management expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

- **As at 31 December 2022**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	No fixed Maturity AED '000	Total AED '000
Non-derivative financial assets						
Cash and balances with the Central Banks	2,632,565	-	-	-	-	2,632,565
Deposits and balances due from banks	61,614	145,843	250,991	-	-	458,448
Loans and advances to customers including Islamic financing and investing assets	976,500	220,737	482,182	8,412,412	2,832,301	12,924,132
Receivables and other assets	867,872	525,320	794,506	610,106	-	2,797,804
Investment securities at fair value	-	-	-	-	264,009	264,009
Investment securities measured at amortised cost	49,802	148,300	87,209	1,797,666	-	2,082,977
	4,588,353	1,040,200	1,614,888	10,820,184	3,096,310	21,159,935
Derivative financial assets	-	77	-	6,527	-	6,604
	4,588,353	1,040,277	1,614,888	10,826,711	3,096,310	21,166,539
Non-derivative financial liabilities						
Balance due to the Central Banks	1,748	-	-	-	-	1,748
Deposits and balances due to banks	2,587,282	146,903	321,288	959,058	-	4,014,531
Customers' deposits including Islamic customers' deposits	4,565,416	1,677,464	2,918,364	483,516	2,555,065	12,199,825
Payables and other liabilities	873,400	554,337	813,152	4,829	-	2,245,718
	8,027,846	2,378,704	4,052,804	1,447,403	2,555,065	18,461,822
Derivative financial liabilities	73	19	77	5,915	-	6,084
Issued financial guarantee contacts	2,168,076	394,928	308,170	67,084	-	2,938,257
Loan commitments	547,576	158,965	229,299	540,542	-	1,476,380
	10,743,570	2,932,615	4,590,350	2,060,944	2,555,065	22,882,544
Liquidity gap	(6,155,217)	(1,892,338)	(2,975,462)	(8,765,767)	(541,245)	(1,716,005)

38. Financial risk management (continued)

38.2 Liquidity risk (continued)

38.2.2 Exposure to liquidity risk (continued)

- **As at 31 December 2021**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	No fixed Maturity AED '000	Total AED '000
Non-derivative financial assets						
Cash and balances with the Central Banks	3,235,539	67,741	-	-	-	3,303,280
Deposits and balances due from banks	98,985	-	-	-	-	98,985
Loans and advances to customers including Islamic financing and investing assets	1,645,692	588,675	870,505	7,026,584	2,769,948	12,901,404
Receivables and other assets	671,080	1,164,660	1,402,743	-	-	3,238,483
Investment securities at fair value	-	-	-	-	256,995	256,995
Investment securities measured at amortised cost	43,880	-	-	1,294,234	-	1,338,114
	5,695,176	1,821,076	2,273,248	8,320,818	3,026,943	21,137,263
Derivative financial assets	812	-	177	15,928	-	16,917
	5,695,988	1,821,076	2,273,425	8,336,746	3,026,943	21,154,178
Non-derivative financial liabilities						
Balance due to the Central Banks	16,182	-	-	-	-	16,182
Deposits and balances due to banks	1,343,339	366,341	97,657	455,317	-	2,262,654
Customers' deposits including Islamic customers' deposits	5,640,576	2,952,650	3,831,847	149,097	-	12,574,170
Payables and other liabilities	608,344	1,184,909	1,413,900	632	-	3,207,785
	7,608,441	4,503,900	5,343,404	605,046	-	18,060,791
Derivative financial liabilities	957	-	-	17,019	-	17,976
Issued financial guarantee contacts	1,488,379	408,331	284,560	74,264	-	2,255,534
Loan commitments	620,310	134,105	291,376	720,987	-	1,766,778
	9,718,087	5,046,336	5,919,340	1,417,316	-	22,101,079
Liquidity gap	(4,022,099)	(3,225,260)	(3,645,915)	6,919,430	3,026,943	(946,901)

38. Financial risk management (continued)

38.2 Liquidity risk (continued)

The table below presents a maturity analysis of the Group's financial liabilities. The sum of the balances depicted in the maturity analysis do not reconcile with the carrying amount of the liabilities as disclosed in the consolidated statement of financial position. This is because the maturity analysis incorporates, on an undiscounted basis, all cash flows relating to principal and future interest payments.

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	No fixed Maturity AED '000	Total AED '000
31 December 2022						
Non-derivative financial liabilities						
Balance due to the Central Bank of the UAE	1,748	-	-	-	-	1,748
Deposits and balances due to banks	2,593,982	150,414	367,738	1,113,111	-	4,225,244
Customers' deposits including Islamic customers' deposits	4,583,434	1,703,443	3,041,617	530,811	2,605,077	12,464,381
Payables and other liabilities	873,400	554,338	813,152	4,829	-	2,245,718
	8,052,563	2,408,195	4,222,506	1,648,750	2,605,077	18,937,092
Derivative financial liabilities	73	19	77	5,915	-	6,084
Issued financial guarantee contacts	2,168,075	394,928	308,171	67,084	-	2,938,257
Loan commitments	547,576	158,962	229,299	540,544	-	1,476,380
	10,768,287	2,962,103	4,760,053	2,262,292	2,605,077	23,357,813
31 December 2021						
Non-derivative financial liabilities						
Balance due to the Central Banks	16,182	-	-	-	-	16,182
Deposits and balances due to banks	1,343,339	366,341	97,657	455,317	-	2,262,654
Customers' deposits including Islamic customers' deposits	5,640,576	2,952,650	3,831,847	149,097	-	12,574,170
Payables and other liabilities	625,781	1,211,650	1,514,374	12,515	-	3,364,320
	7,625,878	4,530,641	5,443,878	616,929	-	18,217,326
Derivative financial liabilities	957			17,019	-	17,976
Issued financial guarantee contacts	1,488,379	408,331	284,560	74,264	-	2,255,534
Loan commitments	620,310	134,105	291,376	720,987	-	1,766,778
	9,735,524	5,073,077	6,019,814	1,429,199	-	22,257,614

38. Financial risk management (continued)

38.3 Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income and/or the value of the financial instrument. The Group manages its market risk in order to achieve an optimum return while maintaining market risk exposure within prudent limits.

38.3.1 Management of market risk

The Board of directors has set risk limits based on sensitivity analysis and notional limits which are closely monitored by the Risk Management Department, reported frequently to Senior Management and discussed monthly by the ALCO.

The Group separates its exposure to market risk between trading and non-trading portfolios with overall responsibility vested in the ALCO. The Risk Management Department is responsible for the development of detailed risk management policies and for the day to day review of their implementation subject to the review and approval by ALCO.

38.3.2 Exposure to interest rate risk

The principal risk to which interest bearing financial instruments are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The Group manages the risk principally through monitoring interest rate gaps, matching the re-pricing profile of assets and liabilities. The ALCO monitors compliance with these limits and is assisted by the Risk Management Department for day to day monitoring of activities. The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

- **As at 31 December 2022**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	Total AED '000
Interest sensitive financial assets					
Cash and balances with the Central Banks	2,350,000	-	-	-	2,350,000
Deposits and balances due from banks	(1,477)	147,319	258,143	-	403,985
Loans and advances to customers including Islamic financing and investing assets	7,457,298	1,184,039	-	4,920,088	13,561,425
Investment securities measured at amortised cost	49,802	148,300	87,209	1,808,691	2,094,002
	9,855,623	1,479,657	345,352	6,728,779	18,409,412
Interest sensitive financial liabilities					
Deposits and balances due to banks	2,589,030	146,904	321,288	959,058	4,016,279
Customers' deposits including Islamic customers' deposits	5,533,801	1,636,640	2,893,907	2,185,489	12,249,837
	8,122,831	1,783,544	3,215,195	3,144,546	16,266,116
Effect of derivatives held	516				
Net interest gap	1,733,308	(303,887)	(2,869,843)	3,584,233	2,143,296
Impact on profit and loss if interest rates had been 200 bps higher	23,654	(3,826)	(14,939)	163,158	168,046

38. Financial risk management (continued)

38.3 Market risk (continued)

38.3.2 Exposure to interest rate risk (continued)

- **As at 31 December 2021**

	Less than 3 months AED '000	3 to 6 months AED '000	6 to 12 months AED '000	More than 1 year AED '000	Total AED '000
Interest sensitive financial assets					
Cash and balances with the Central Banks	2,822,127	67,728	-	-	2,889,855
Loans and advances to customers including Islamic financing and investing assets	7,112,828	1,129,496	-	-	8,242,324
Investment securities measured at amortised cost	39,567	-	-	1,298,547	1,338,114
	9,974,522	1,197,224	-	1,298,547	12,470,293
Interest sensitive financial liabilities					
Deposits and balances due to banks	1,337,045	367,305	99,172	459,131	2,262,654
Customers' deposits including Islamic customers' deposits	3,417,229	2,899,138	3,799,141	144,401	10,259,909
	4,754,274	3,266,443	3,898,313	603,532	12,522,562
Effect of derivatives held	(1,064)	-	-	-	(1,064)
Net interest gap	5,219,184	(2,069,219)	(3,898,313)	690,676	(53,333)
Impact on profit and loss if interest rates had been 200 bps higher	92,340	(26,078)	(20,293)	33,095	79,064

LIBOR transition

The Group is actively preparing for the transition to Alternative Reference Rates (ARR) under the supervision of a cross-functional working committee, which includes relevant business units. the Group's transition program has commenced and will be running until the final publication date of LIBOR on 30 June 2023.

38.3.3 Exposure to currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the AED. The Board of Directors has set limits on positions by currency. Positions are closely monitored to ensure positions are maintained within established limits. At the end of the reporting period, the Group had the following significant net exposure denominated in foreign currencies:

	Net spot position		Forward position		Total	
	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Currency						
USD	439,943	(360,243)	453,419	(79)	893,362	(360,322)
GBP	75	81	-	-	75	81
JPY	199	322	-	-	199	322
EUR	1,116	169	(588)	751	528	920
BHD	277,805	159,100	-	-	277,805	159,100
Other	1,145	1,149	(146)	(670)	999	479

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% adverse change in the relevant foreign currency position against AED both for a long and short position in order to assess the impact of loss on profit and loss.

38. Financial risk management (continued)

38.3 Market risk (continued)

38.3.3 Exposure to currency risk (continued)

	2022 AED '000	2021 AED '000
GBP	8	8
JPY	20	32
EUR	53	92
BHD	27,781	15,910

There are no exchange rate risks relating to financial assets and financial liabilities denominated in USD, which is pegged to the AED.

38.3.4 Other price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, profit or loss and other comprehensive income for the year would have been higher/lower by AED 2.2 million higher/lower (2021: 7.4 higher/lower).

39. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and financial liabilities.

39.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The fair value of financial assets and financial liabilities are determined as follows:

- Fair value of all quoted investments measured at fair value through profit or loss and at fair value through other comprehensive income (note 12) are based on quoted bid prices in an active market;
- Fair value of all unquoted equity investments and unquoted investment funds measured at fair value through other comprehensive income (note 12) is mainly based on market approach based valuation technique using price/book value multiple of trading peers and precedent transactions. These price/book values multiples and precedent transactions are unobservable inputs. Fair value of investment in MURJAN is calculated by taking proportionate share of the fair value of its assets (real estate) and liabilities; and
- Fair value of all derivatives (note 40 is calculated using discounted cash flows. Discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Derivatives are measured using quoted rates and yield curves derived from quoted rates matching maturities of the contracts.

39. Fair value of financial instruments (continued)

39.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The table below summarises the Group's financial instruments fair value according to fair value hierarchy:

	Level 1		Level 2		Level 3	
	2022 AED '000	**2021 AED '000**	**2022 AED '000**	**2021 AED '000**	**2022 AED '000**	**2021 AED '000**
Financial assets at fair value through other comprehensive income						
Equity shares	26,959	15,279	-	-	17,373	92,420
Investment funds	-	-	-	-	1,406	1,391
Financial assets at fair value through profit or loss						
Equity shares	-	-	-	-	218,271	147,865
Positive fair value of derivatives financial assets	-	-	6,604	16,915	-	-
Financial liabilities at fair value through profit or loss						
Negative fair value of derivatives financial liabilities	-	-	6,084	17,976	-	-

For level 3 fair valuation measured using price/book value multiple, the higher the unobservable input of price/book value multiple, the higher is fair value. The price/book value multiple used in valuation ranges between 0.85X to 0.96X (2021: 0.90X to 0.91X). For level 3 fair valuation of MURJAN measured using proportionate share of the fair value of its assets (real estate) and liabilities, the higher the net asset value, the higher is fair value.

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

Reconciliation of Level 3 fair value measurements of financial assets

	2022 AED '000	**2021 AED '000**
Balance at January 1	241,676	234,442
Total gains in profit or loss	70,406	18,596
Total losses in other comprehensive income	(75,032)	(10,219)
Redemption	-	(1,143)
Balance at December 31	237,050	241,676

The financial liabilities subsequently measured at fair value are classified as level 2 in the fair value hierarchy. There are no financial liabilities classified at fair value as level 3 in the fair value hierarchy.

All gains and losses included in other comprehensive income relate to FVTOCI (quoted investments or unquoted investments) held at the end of the period and are reported as changes in 'Investment revaluation reserve'.

39.2 Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost

Except as detailed below, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

39. Fair value of financial instruments (continued)

39.2 Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost (continued)

	Carrying amount		Fair value	
	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Investment securities measured at amortised cost	2,082,977	2,233,631	2,080,578	2,252,264

Investment securities measured at amortised cost are quoted instruments and categorised as level 1 in the fair value hierarchy. The fair value is determined using unadjusted quoted market prices.

40. Derivative financial instruments

Derivative financial instruments are utilised by the Group primarily to satisfy the requirements of its customers and are also used to a limited extent to manage the Group's own exposure to currency, interest rate and other market risks. The derivatives most frequently used by the Group are as follows:

Swaps

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal. For currency swaps, fixed interest payments and principal are exchanged in different currencies. For cross-currency rate swaps, principal, fixed and floating interest payments are exchanged in different currencies.

Foreign exchange forwards contracts

Foreign exchange forwards contracts are contractual agreements to either buy or sell a specified currency at a specified price and date in the future. Forwards are customised contracts transacted in the over-the counter market.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	Foreign exchange forward contracts		Interest rate swaps			Total
	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Positive fair value	77	2	6,527	16,915	6,604	16,917
Negative fair value	91	-	5,993	17,976	6,084	17,976
Maturity of notional amount						
Upto 3 months	453,540	1,587	-	-	453,540	1,587
3 to 6 months	6,712	-	36,730	6,329	43,442	6,329
6 to 12 months	-	-	-	239,330	-	239,330
1 to 5 years	-	-	466,581	557,140	466,581	557,140
More than 5 years	-	-	-	-	-	-
	460,252	1,587	503,311	802,799	963,563	804,386

41. Capital management

The Group's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements.

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and to increase returns for shareholders; and
- To comply with regulatory capital requirements set by the Central Bank of the UAE.

In implementing current capital requirements, the Group calculates its capital adequacy ratio in accordance with the Basel III guidelines issued by the Central Bank of the UAE. Under these regulations, minimum capital requirements are monitored at three levels, namely Common Equity Tier 1 ('CET1'), Tier 1 ('T1') and Total Capital.

41.1 Regulatory capital

The Bank calculates its Capital Adequacy Ratio in line with guidelines issued by the Central Bank of the UAE.

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

- Common Equity Tier 1 Capital, which includes Common shares issued by a bank, Share premium resulting from the issue of instruments included in CET1, retained earnings, legal reserves, statutory reserves, accumulated other comprehensive income and other disclosed reserves, minority interest, which are eligible for inclusion in CET1 and regulatory adjustments applied in the calculation of CET1;
- Additional Tier 1 Capital (AT1);
- Tier 1 capital, which is the total of Common equity Tier 1 (CET1) Capital and Additional Tier 1 (AT1) capital;
- Tier 2 capital, which includes general provisions (Collective allowance for impairment subject to a limit of 1.25% of credit 'Risk Weighted Assets' (RWA)), perpetual equity instruments not included in Tier 1 capital and Instruments which are eligible for inclusion of Tier 2 e.g. subordinated loan.

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

For the purpose of Basel III capital adequacy reporting, only financial subsidiaries are consolidated. Commercial subsidiaries are excluded from consolidated reporting.

The bank's RWA are weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The bank is following the standardised measurement approach for credit, market and operational risk, as per Basel Requirements.

The Group has complied with all externally imposed capital requirements throughout the period.

41. Capital management (continued)

41.1 Regulatory capital (continued)

The Group's regulatory capital position at the end of reporting period under Basel III is as follows:

	2022 AED '000	2021 AED '000
Capital base		
Share capital	1,737,383	1,737,383
Statutory reserve	300,249	285,202
General reserve	31,471	16,424
Accumulated other comprehensive income	(58,954)	(71,772)
IFRS transitional arrangement: Partial addback of ECL impact to CET1	65,030	2,146
Accumulated losses	(295,254)	(333,092)
Non-controlling interests	313	311
CET1 capital (prior to regulatory deductions)	1,780,238	1,636,602
Intangible assets	(28,601)	(40,177)
Total CET1 capital	1,751,637	1,596,425
Additional Tier 1 (AT1) Capital	459,125	459,125
Total AT1 capital	459,125	459,125
Total Tier 1 Capital	2,210,762	2,055,550
Eligible general provision	190,063	175,059
Total Tier 2 (T2) Capital	190,063	175,059
Total capital base	2,400,825	2,230,609
Risk weighted assets		
Credit risk	15,205,002	13,686,012
Market risk	284,794	9,838
Operational risk	1,175,231	1,366,301
Total risk weighted assets	16,665,027	15,062,151
CET1 capital ratio	10.51%	10.60%
Tier 1 capital ratio	13.27%	13.65%
Total capital ratio	14.41%	14.78%

41.2 Capital allocation

The Group also assesses internally its capital requirements taking into consideration its growth requirements and business plans and quantifies its regulatory and risk/economic capital requirements within its integrated ICAAP Framework. Risks such as interest rate risk on the banking book, concentration risk, stress testing, strategic risk, legal and compliance risk, and reputational risk are all part of the ICAAP. The Group also calculates Risk Adjusted Return on Capital (RAROC) for credit applications that are priced on a risk-adjusted basis.

42. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. Transactions with associate and other related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

42. Related party transactions (continued)

	Terms %	2022 AED '000	2021 AED '000
Balances at the end of the reporting period			
Subsidiaries			
Financial guarantee contract	**-**	5,009	5,009
Associate			
Loans and advances to customers	**3.3**	3,662	93,130
Receivables and other assets	**-**	-	16,910
Key management personnel (including directors)			
Loans and advances to customers	**2.8 - 6.8**	20,918	17,245
Customers' deposits	**0.0 - 2.9**	6,794	7,399
Other related parties			
Deposits and balances due from banks	**0.0 -7.95**	165,434	135
Deposits and balances due to banks	**-**	76,596	53,111
Interest rate swaps (Notional amount)	**-**	36,750	36,750
Tier 1 Capital Securities	**6.5**	459,125	459,125
Transactions during the reporting period			
Associate			
Interest income		-	3,100
Key management personnel (including directors)			
Interest income		716	617
Interest expense		144	122
Directors' expenses		116	81
Compensation of key management personnel (i)		26,946	17,785

(i) These include long-term benefits amounting to AED 1.7 million (2021: AED 0.75 million) and termination benefits of Nil million (2021: Nil million).

43. Operating segments

Operating Segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO in order to allocate resources to the segment and to assess its performance. The Group's reportable segments under IFRS 8 are therefore as follows:

- Wholesale banking;
- Retail banking;
- Treasury;
- Real estate;
- Other

43. Operating segments (continued)

The segmental information provided to the Group's CEO for the reportable segments for the years ended 31 December 2022 and 31 December 2021 were as follows:

	Wholesale banking AED '000	Retail banking AED '000	Treasury AED '000	Real estate AED '000	Other AED '000	Total AED '000
Year ended 31 December 2022						
Net interest income from external customers	304,481	24,048	69,275	-	-	397,804
Inter-segmental net interest income	(58,149)	34,560	21,408	(6,841)	9,022	-
Fee and commission income	101,252	14,491	415	-	(35)	116,123
Fee and commission expense	(705)	(12,099)	(1,340)	-	(716)	(14,860)
Other operating income, net	11,829	2,075	5,528	3,848	80,462	103,742
Impairment losses and provisions, net	(132,503)	10,538	(5,036)	5,292	(2,887)	(124,596)
General and administrative expenses excluding depreciation and amortisation	(174,908)	(96,192)	(21,003)	(906)	-	(293,009)
Depreciation and amortisation	(15,565)	(14,272)	(2,537)	(2,360)	-	(34,734)
Profit/(loss) for the period	35,732	(36,851)	66,710	(967)	85,846	150,470
As at 31 December 2022						
Assets	14,424,866	1,121,681	4,820,692	189,775	609,525	21,166,539
Liabilities	11,473,448	2,606,565	4,022,363	1,341	364,189	18,467,906

	Wholesale banking AED '000	Retail banking AED '000	Treasury AED '000	Real estate AED '000	Other AED '000	Total AED '000
Year ended 31 December 2021						
Net interest income from external customers	271,402	55,160	50,643	-	(1,130)	376,075
Inter-segmental net interest income	(42,523)	17,125	47,844	(6,909)	(15,537)	-
Fee and commission income	118,933	17,013	18	-	-	135,964
Fee and commission expense	(1,426)	(12,964)	(421)	-	(9)	(14,820)
Other operating income, net	73,750	2,056	4,492	2,156	50,976	133,430
Impairment losses and provisions, net	(178,968)	(22,232)	1,971	1,674	98	(197,457)
General and administrative expenses excluding depreciation and amortisation	(162,454)	(82,243)	(17,252)	(1,924)	3,270	(260,603)
Depreciation and amortisation	(17,467)	(19,692)	(2,051)	(2,824)	-	(42,034)
Profit/(loss) for the period	61,247	(45,777)	85,244	(7,827)	37,668	130,555
As at 31 December 2021						
Assets	13,841,347	1,220,166	4,859,512	251,535	601,528	20,774,088
Liabilities	13,728,316	1,859,779	2,296,812	394	273,894	18,159,195

Non-current asset held for sale and associated liabilities are presented in 'Wholesale banking' segment. The Group conducted all of its operation in the UAE, there is no operation outside the UAE apart from non-current asset held for sale and associated liabilities.

44. Net gain from derecognition of financial asset measured at amortised cost

During the year ended 31 December 2022, the Group sold certain financial assets measured at amortised cost. The table below summarises the carrying amount of derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition.

	Carrying amount		Gain/(loss) from derecognition	
	2022 AED '000	2021 AED '000	2022 AED '000	2021 AED '000
Loans and advances to customers	**-**	**69,623**	**-**	**58,864**

45. Approval of the financial statements

The consolidated financial statements for the year ended 31 December 2022 were approved by the Board of Directors and authorised for issue on 18 January 2023.

Glossary of abbreviations

ACADL	Al Caribi Antigua Development Limited
ACDL	Al Caribi Development Limited
AED	United Arab Emirates Dirham
AKPI	Al Khaleejiah Property Investments LLC
ARZAQ	Arzaq Holdings (Private J.S.C.)
AT1	Additional Tier 1
Basel III	Basel III: International regulatory framework for banks
BVI	British Virgin Islands
CBI	Commercial Bank International PSC
CBUAE	the Central Bank of the UAE
CDs	Certificates of Deposit
CDS	Credit Default Swaps
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
ECL	Expected Credit Losses
EIR	Effective Interest Rate
EPS	Earnings Per Share
EUR	Euro
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GBP	British pound sterling
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IFB	International Financial Brokerage LLC
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IFRSs	International Financial Reporting Standards
JPY	Japanese yen
LGD	Loss Given Default
LLC	Limited Liability Company
MURJAN	Al Murjan Real Estate LLC
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
SCA	Securities and Commodities Authority of the UAE
SIC	Standard Interpretations Committee
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest on the principal amount outstanding
SPV	Special Purpose Vehicle
T2	Tier 2
the GCC	the Gulf Cooperation Council
the UAE	the United Arab Emirates
the USA	the United States of America
TRE	Takamul Real Estate LLC
USD	United States dollar

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