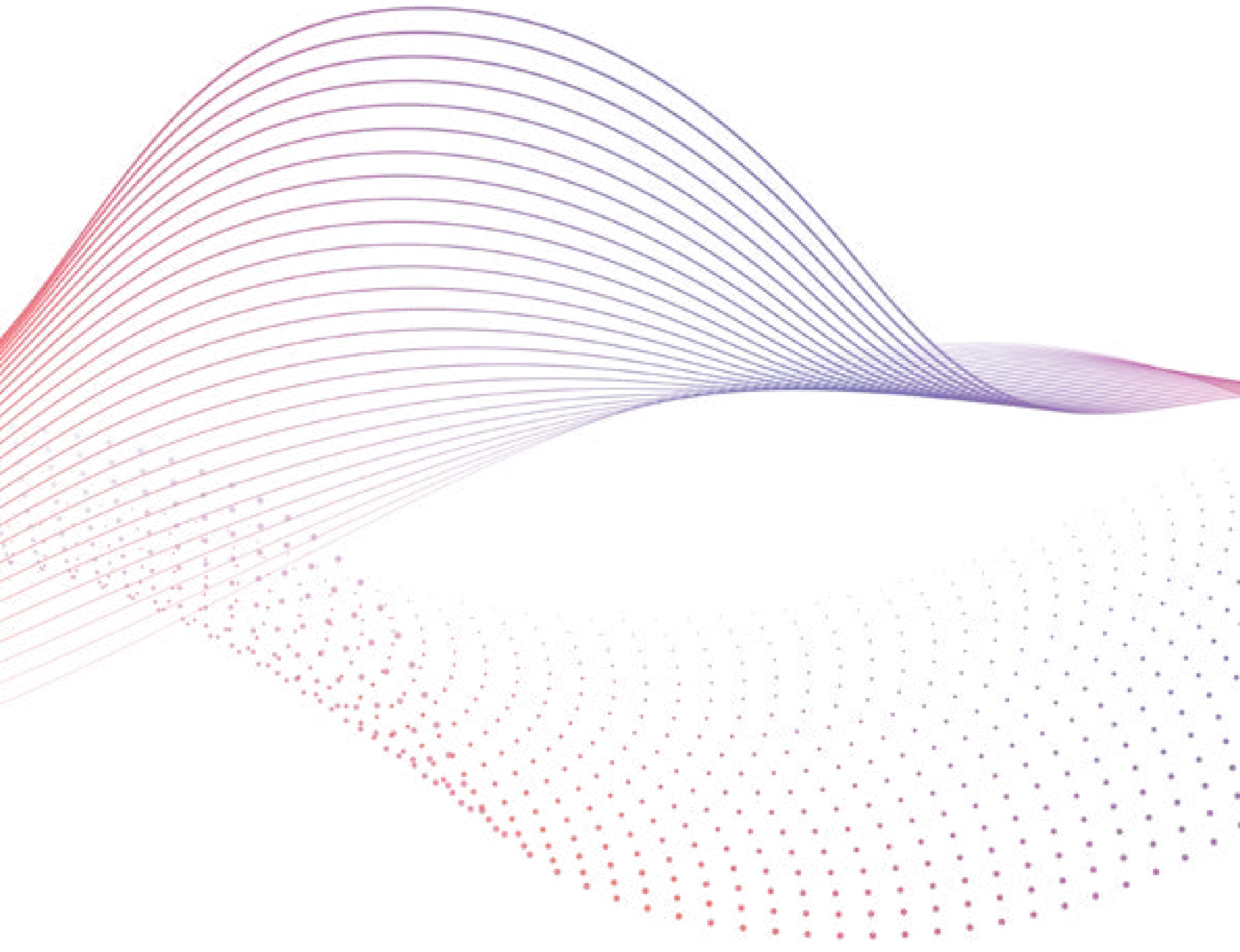
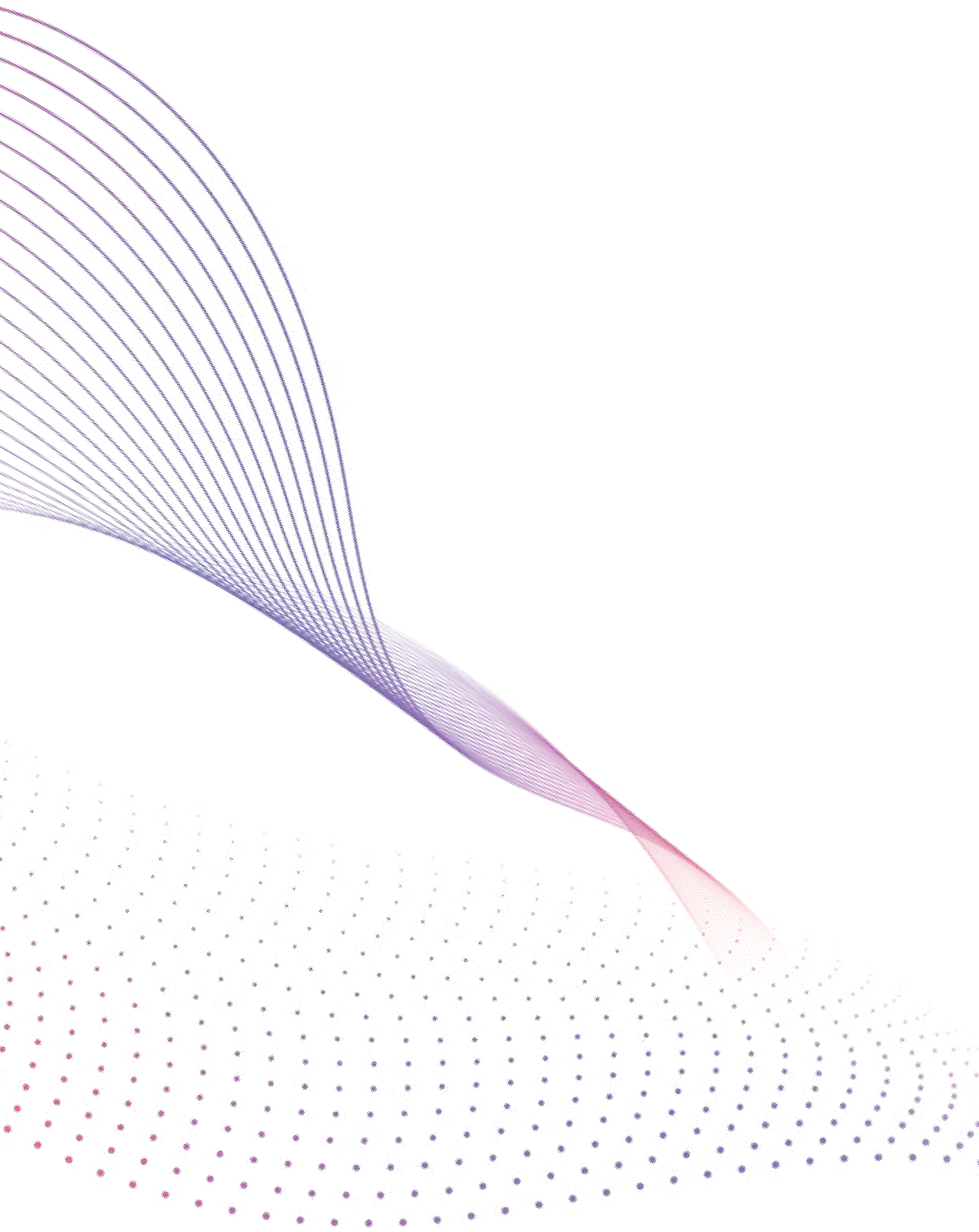
الإمارات الإسلامي
EMIRATES ISLAMIC

Innovation with Integrity

Annual Report 2023



IN THE NAME OF ALLAH, THE MERCIFUL, THE MOST MERCIFUL



H.H. Sheikh Mohamed Bin Zayed Al Nahyan
President of the United Arab Emirates

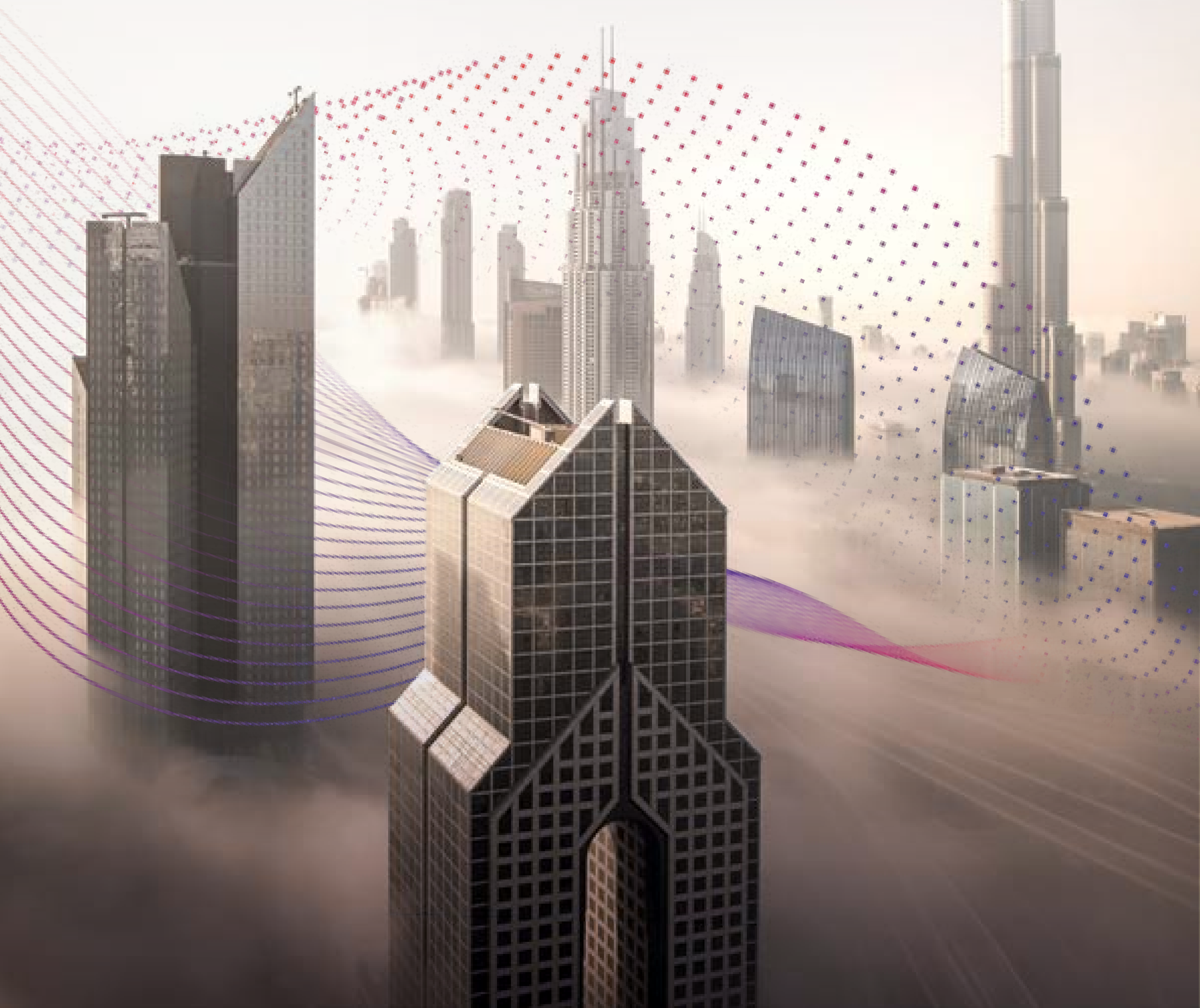
H.H. Sheikh Mohammed Bin Rashid Al Maktoum
Vice President and Prime Minister
of the United Arab Emirates and Ruler of Dubai

**H.H. Sheikh Hamdan Bin Mohammed
Bin Rashid Al Maktoum**
Crown Prince of Dubai

**H.H. Sheikh Maktoum Bin Mohammed
Bin Rashid Al Maktoum**
Deputy Ruler of Dubai, Deputy Prime Minister
and Minister of Finance of the United Arab Emirates

Creating Opportunities to Prosper

We are proud to be the Islamic bank of choice in the UAE, offering innovative products and services to suit all lifestyle needs.



Contents

An Explanation of Integrated Annual Reporting

This integrated report covers our Strategic and Operational overview, ESG Summary, Corporate Governance Report, Shariah Report, Directors' Report and Financials as at 31 December, 2023.

The report is the culmination of rigorous monitoring and evaluation of our activities across the entirety of our operations, business units, and sustainability efforts.

Strategic Report

Chairman's Message

Emirates Islamic delivered the most impressive financial performance in our history during 2023, paving the way for even greater achievements in the future.

Our investments in new technology and strategic partnerships have already played a major role in our success, as we acquire numerous large corporate clients and individual customers. Our commitment to environmental causes is more intense than ever before and we will continue to be a leader in sustainability in the regional banking industry.

Our strategic progress and achievements during 2023 not only reinforced our strength and resilience in the face of a slower global economy, but also demonstrated our ambition and capabilities to deliver robust results and make considerable headway in all areas of our operations. We are proud to announce a remarkable financial performance by Emirates Islamic Bank P.J.S.C. ("Emirates Islamic", "EI" or "the Bank") in 2023, recording the Bank's highest ever net profit of AED 2.1 billion (71% growth), total income growth of 50%, and customer deposits growth of 9%.

Our deep expertise and awareness of the demand for Islamic banking provided the opportunity to tailor existing products and introduce new services, making Shariah-compliant banking more beneficial for institutional clients and more accessible for individual customers. We are also proud of our partnerships with Mohammed Bin Rashid Housing Establishment and Sharjah Housing Programme to offer Shariah-compliant home finance – enabling more UAE Nationals to access finance to buy or build their own homes.

As an Islamic bank, we strive to contribute towards the overall society and promote equitable creation of wealth for a prosperous economy. We contributed AED 50.5 million to a range of charitable initiatives in 2023 through the Emirates Islamic Charity Fund. Based on core Shariah principles, the Emirates Islamic Charity Fund provides financial aid to those in need, with a focus on food, shelter, health, education and social welfare contributions. A key focus for Emirates Islamic in 2023 was our commitment to the environment and the responsibility the banking industry has to the planet. In 2023, the UAE marked the "Year of Sustainability" and hosted the most significant global climate conference and gatherings of the year. Underscoring our dedication to the cause, Emirates NBD Group, including Emirates Islamic, DenizBank and Liv, supported COP28, the 28th edition of the United Nations Climate Change Conference, as the Principal Banking Partner.

We recognise that restraining and reversing climate change is one of the greatest and most urgent challenges the world is currently facing, and it is only with collective action that we will be able to transition to a net zero future. The banking and financial services sector plays a crucial role in supporting the return to climate neutrality across client sectors and, as a leading local bank, we have a duty to contribute to such a critical global objective.

As part of our efforts to achieve net zero goals, Emirates NBD Group recently signed the UAE Climate-Responsible Companies Pledge initiated by the UAE Ministry of Climate Change and Environment, which aligns with our commitment to supporting the nation's decarbonisation efforts.

The Group continues to forge meaningful sustainability and innovation-focused collaborations with other private sector companies and government entities in our effort to mitigate climate change. The Emirates NBD Group's sustainable finance framework is aligned to the Climate Transition Finance Handbook principles and to the UN Sustainable Development Goals.

As we embark on the next phase of our sustainability journey, we will continue to bolster our position as an innovative and responsible financial services provider with the aim of integrating Environment, Social and Governance ("ESG") best practices into all aspects of our business.

Accelerating Achievements by Reinforcing Our Strengths

We are enormously proud of our financial achievements in 2023, a year where Emirates Islamic has emphatically confirmed its status as one of the UAE's leading Shariah-compliant banks. Our experience, expertise and commitment to organisation-wide innovation has encouraged numerous influential clients to join our ranks and persuaded personal account holders to turn to us for all their banking needs.

We also take enormous pride in our stance on the environment and our efforts to change the mindset of the industry towards a more conscientious and considered view of sustainability. We look forward to even more positive action in the future.

None of these momentous milestones and achievements would have been possible without the wisdom and leadership of Dubai and the UAE, as well as the support of our Group and trust of our partners, employees, customers and shareholders. On behalf of the Board, I would like to take this opportunity to acknowledge your valued contributions to Emirates Islamic's success in 2023.

Mr. Hesham Abdulla Al Qassim
Chairman

"We are enormously proud of our financial achievements in 2023, a year where Emirates Islamic has emphatically confirmed its status as one of the UAE's leading Shariah-compliant banks."

Mr. Hesham Abdulla Al Qassim
Chairman

"Emirates Islamic strives to contribute towards society by promoting fair and equal creation of wealth and a prosperous economy."

Mr. Farid Al Mulla
Chief Executive Officer

As the flagship Islamic banking arm of the Emirates NBD Group and third largest Islamic Bank in the UAE, Emirates Islamic exceeded all expectations in 2023, including our highest ever profit.

In 2023 customer financing increased by 11% and customer deposits by 9% contributing to higher income, which with a prudent cost of risk, resulted in our superior performance for the year. We also continued to lead the market with Shariah product innovation, including issuing the first Dirham-denominated Sukuk worth AED 1 billion.

In a year of unprecedented success, Emirates Islamic delivered on its key goals, with an increasing focus on technology, new services, and sustainability. As a leading national bank, we remain wholly committed to our agenda of becoming the Islamic bank of choice for Emiratis, offering innovative new products and services to suit their lifestyle.

History in the Making

In 2023, our Treasury and Markets ("TRY") division celebrated a first in the UAE's banking history, reinforcing our commitment to deepening and promoting liquidity in the local currency Sukuk market, by issuing an AED 1 billion public Sukuk. This unique three-year offering was oversubscribed 2.5 times, highlighting the strength of the Dirham Sukuk market, and emphasising confidence in the local currency market from global Shariah-compliant investors.

The Corporate and Institutional Banking ("C&IB") division focused heavily on new business acquisition, broadening its product portfolio and banking technology whilst maximizing straight-through processing ("STP") journeys and simplifying the customer banking experience. The division also attracted major new investments, strategic alliances, and memorandum of understandings, including agreements with Emirates Development Bank and a partnership with Kamelpay, providing digital wages protection solutions for low-salaried employees.

Building Digital Strength

In line with our ongoing digital transformation journey, we consistently made strategic investments in technological solutions that enhance our front-end and back-end banking operations.

As banking becomes increasingly mobile based, we enhanced our digital channels to provide a broader scope of services, including the launch of our mobile banking app EI + and WhatsApp Chat Banking. We also embarked on several partnerships and collaborations to enable enhancements in offering unique Shariah-compliant solutions.

Committed to Financial and Environmental Sustainability

As a stalwart of environmental protection, Emirates Islamic commits not only to national and regional development ambitions but also international targets, such as the United Nations Sustainable Development Goals and reducing our environmental impact in line with the UAE Net Zero 2050 strategy.

We are fully aligned with the Group's commitment to responsible stewardship throughout our financing operations illustrated in our collaboration with the Group to publish its first Sustainable Finance Framework, and our participation at the COP28 United Nations Climate Change Conference as the Islamic Banking brand of the Emirates NBD Group.

Furthermore, we continued to offer a wide range of responsible financing by incentivising business growth across several key sectors.

Supporting the UAE's People and Communities

As a Shariah-compliant bank, Emirates Islamic strives to contribute towards society by promoting fair and equal creation of wealth and a prosperous economy.

We are also deeply committed to developing Emirati talent across our Bank. In 2023, we undertook a number of initiatives to increase Emirati participation in critical roles within the organisation, supporting the Central Bank of the UAE's Emiratisation policy. The Bank has one of the highest Emiratisation levels in the UAE banking sector, with 36% of the total number of employees.

An Innovative Business with a Clear Purpose

In addition, we saw an increase in women in leadership positions to 25% and signed the UAE Gender Balance Pledge to accelerate gender balance in the UAE private sector.

As we continued to emphasise the need for employee progression, we maintained our momentum in learning and development initiatives for our UAE National talent employees through multiple programmes.

Positioned for Continued Progress

As we look to 2024 and beyond, Emirates Islamic is well poised to seize opportunities in the economic, environmental, and digital landscape that surround our industry. We will deliver on our strategic priorities of business performance, particularly across our consumer, small and medium-sized enterprise ("SME"), and corporate banking segments and drive the innovation which will benefit our customers and clients in every aspect of their banking needs. In embracing the Group's digital-first approach, we aim to maintain our leadership role within the UAE Shariah-compliant banking space.

Emirates Islamic enjoyed outstanding strategic success in 2023 and as we look back on an exceptional year, I would like to thank our Board of Directors for their guidance, our valued employees for their dedication and our customers for their continued trust in Emirates Islamic. We will build on this strong foundation to create even more value for all our stakeholders in the years to come.

Mr. Farid Al Mulla
Chief Executive Officer

Investment Case

Emirates Islamic ("EI") is the flagship Islamic banking arm of the Emirates NBD Group and third largest Islamic bank in the UAE by asset size as of year-end 2023. Our stable low-cost funding base, growing brand recognition and investment in innovation and technology continue to drive healthy returns.

We strive to be the leading provider of high standard Shariah-compliant innovative financial products and services and are well poised to seize the opportunities in the economic, environmental, and digital landscape that surrounds the industry, with a growth trajectory, both within the UAE and beyond.

A Leader in Shariah-Compliant Banking Solutions in the UAE

- First bank in the UAE to issue a Dirham-denominated Sukuk worth AED 1 billion.
- Partnered with government housing programs to offer Shariah-complaint home finance.
- Launch of the Emirati Absher Business Account and enhanced our flagship Kunooz Savings Account.

Robust Financial Strength Driving Performance

- Steady performance based on higher income and a prudent cost of risk.
- Strong capital and liquidity combined with a healthy deposit mix.
- Stable current accounts and savings accounts ("CASA") balances driving a low cost of funding to support balance sheet growth.
- Strong coverage ratio.

Investing in Innovation and Technology to Drive Digitisation

- Enhanced digital banking our mobile banking app EI +, WhatsApp Chat Banking and businessONLINE.
- Accelerating digitisation through partnerships and collaborations.
- Approximately 81 journeys optimised by STP, delivering cost efficiencies.
- Digitisation efforts and investment driven jointly with Emirates NBD Group.

Socially Responsible Towards our Customers, Communities, and Staff

- Committed to ESG through the development of our Sustainable Finance Framework.
- Emirates Islamic Charity Fund contributed to a range of charitable initiatives.
- Creating a progressive culture promoting employee engagement and talent growth.

About Emirates Islamic

Emirates Islamic was established in 2004 to deliver the highest standards of Shariah-compliant banking, offering a broad range of products and services designed for individuals and small businesses as well as large corporations through its distribution network across the UAE.

Emirates Islamic is the third largest Islamic bank in the UAE by total assets and is a publicly listed company, wherein Emirates NBD holds a 99.9% stake.

1,720
Team Size

40
Branches

Awards and Recognition

The Banker Islamic Banking Awards
Most Innovative Sukuk

Euromoney Islamic Finance Awards 2023
Best Islamic Real Estate Deal

World Finance Islamic Finance Awards 2023
Best Islamic Bank in the UAE
Best Retail Bank in the UAE
Best SME Bank in the UAE
Best Cash Management Bank
Best Treasury Management Bank

Islamic Finance News Awards
Best Retail Bank in the UAE
Most Innovative Bank in the UAE
Best Digital Offering

International Finance Magazine Awards
Most Innovative Islamic Bank – 2023
Best Islamic SME Bank – 2023

Business Segments

Retail Banking and Wealth Management

Comprising of Personal Banking, Private and Priority Banking, and Business Banking.

Offering:

- Current Accounts
- Savings Accounts
- Deposit Accounts
- Credit Cards
- Financing Solutions
- Wealth Management Services

Corporate and Institutional Banking

Comprising of Corporate Banking, Structured Finance and Syndication, and Financial Institutions.

Offering:

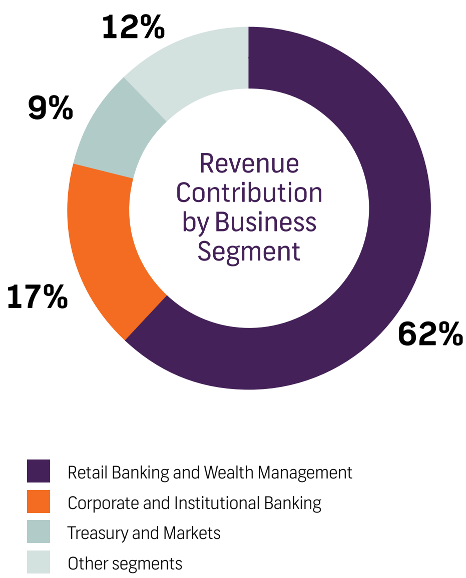
- Term Financing
- Working Capital Financing
- Trade Financing
- Project Financing
- Syndicated and Club Financing
- Structured Financing
- Cash Management Solutions
- Digital Offerings

Treasury and Markets

Comprising of Assets and Liabilities Management, Sales and Structuring, Flow and Execution, and Business Management Support.

Offering:

- FX Products: FX Digital Platform, FX Spot, Wa'ad and Options
- Yield Enhancing Deposit Products: Floored Floater, Collared Floater, Range Accrual
- Rates Products: Profit Rate Swaps, Equity Execution, Funds Execution, Wakala Deposit, Sukuk



Purpose Framework

Our Vision
To be the most innovative Shariah-compliant bank for our customers, people, and communities.

Our Purpose
To create opportunities to prosper

Our Values
Collaboration
Ownership
Drive
Enterprising

Strategy

Accelerate Growth Momentum by Unlocking Opportunities
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Activate Digital Strategy as a Value Proposition and Efficiency Tool
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Capture Value From Advance Analytics Across Business and Support
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Build a High-Performance Organisation and Position Emirates Islamic as the Employer of Choice
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Leverage the Group's Strength and Reap the Benefits of Collaboration
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Key Highlights and Metrics

Financial

Net Profit
AED 2.1bn
+71%

Cost to Income Ratio
37.2%

Total Assets
AED 87.8bn
+17.5%

Customer Deposits
AED 61.3bn
+9%

CASA % of Total Deposits
75.8%

First AED Sukuk by a UAE Financial Institution

Non-Financial

STP
≈81
Journeys Optimised

Digital Coverage
Account Opening: **+90%**
Credit Card: **+80%**

EI + App Users
+300,000

Emiratisation Rate
36%

Women in Leadership
25%

Charitable Contributions
AED 50.5m

Our Business Model

Who We Are

Purpose
Create opportunities to prosper

Organisational Structure
Emirates Islamic, the flagship Islamic banking arm of the Emirates NBD Group, consists of three business segments:

See page 24 – 29 for details

- Retail Banking and Wealth Management ("RBWM")
- Corporate and Institutional Banking ("C&IB")
- Treasury and Markets ("TRY")

How We Create Value

Capital
Money obtained from retained EI profits and ENBD Group shareholding.

The Emirates Islamic Difference: Maintaining healthy capital ratios.

Core Tier 1 ("CET 1") %, 2023 vs 17.9% in 2022

18.9%

Funding
Funds received from financers and customer deposits.

The Emirates Islamic Difference: Strong retail deposit base and CASA balances.

Net Profit Margin, 2023 vs 3.4% in 2022

4.7%

Assets
Creating a strong asset base with robust risk management practices.

The Emirates Islamic Difference: Providing customers with diversified products and services.

Total Assets, 2023 vs AED 74.8bn in 2022

AED 87.8bn

Income
Revenue from financing and investment products, and fee and commission income.

The Emirates Islamic Difference: Strong balance sheet and comprehensive offerings delivering steady income.

Total revenue, 2023 vs AED 3.2bn in 2022

AED 4.8bn

Profits
Earnings after accounting for all expenses including provisions.

The Emirates Islamic Difference: Continue to drive income, while managing costs and risk.

Net profit, 2023 vs AED 1.2bn in 2022

AED 2.1bn

Return on Equity ("ROE")
Measuring our profitability in relation to our equity.

The Emirates Islamic Difference: One of the market leading return profiles.

ROE, 2023 vs 13.9% in 2022

20.5%

Stakeholder Value Created in 2023

Customers
Customer centricity is at the core of our vision and strategy as we continuously aim to deliver superior customer experience and excellence.

Total Active Clients	Customer Satisfaction Score
≈800,000	82%

Communities
We strive to contribute towards society in promoting an equitable creation of wealth and a prosperous economy.

Charitable Contributions

AED 50.5 million

Government
We are aligned with the government's vision and strategic objectives towards creating long-term socio-economic impact.

Government Housing Programmes Partnerships

Driving SME Development and Diversification

Employees
We invest in creating a high-performance organisation promoting employee engagement, a progressive culture, Emiratisation, and talent development.

Women in Leadership	Emiratisation Ratio
25%	36%

Investors
We endeavour towards delivering robust returns and long-term value creation for our investors.

ROE

20.5%

A Strategy for Sustainable Growth

Emirates Islamic's vision is to become the leading provider of high standard Shariah-compliant innovative financial products, offering quality and superior value for our customers, shareholders, employees and community.

Our steady growth momentum and remarkable financial performance in 2023 positions us to capitalise on key opportunities across the UAE and the region in the years ahead, driving continued growth and capturing increased market share across key categories, products and services.

Looking forward, Emirates Islamic is poised to seize opportunities in the economic, environmental and digital landscape, building on our strong momentum and growth trajectory, both within the UAE and beyond.

We will achieve this by delivering on our strategy and progressing our strategic priorities by continuing to achieve strong core business line performance, especially across our consumer, SME, and corporate banking segments; creating increasing value for our customers through differentiated products and services, whilst capitalising on our reputation for Shariah product innovation; and embracing the Group's digital-first approach to drive product and service innovation, and internal operational efficiencies.

To achieve our vision and maintain our growth momentum, we are focused on the execution of our Strategy 2023–2025, which consists of the following five strategic pillars, which are fully integrated with our ESG commitments and ambitions.

Mr. Mohammad Kamran Wajid
Deputy Chief Executive Officer

> "Emirates Islamic is poised to seize opportunities in the economic, environmental and digital landscape."

Our Five Strategic Pillars

Accelerate Growth Momentum by Unlocking Opportunities

to promote a one-bank approach focused on increasing integrated customer acquisition and brand awareness

Growing market share remains a key focus across all our business segments, as we endeavour to increase the customer share of wallet for existing clients and attract new-to-bank customers.

In Corporate and Institutional Banking the Mid-Market Segment growth has been steady, and remains a key segment focus, whilst the Financial Institutions business also expanded over 2023, with penetration into new geographies expected into 2024.

In Retail Banking and Wealth Management, the Employee Banking Proposition has been revamped to acquire retail customers, with more enhancements to be made allowing strengthened acquisition. Retail sales coverage is also expected to continue growing steadily across both physical and digital channels.

In Treasury and Markets, new revenue streams have been created through new Islamic derivative and enhanced product suites for customers. The focus on diversification of funding and income sources is set to continue, with enhanced sales focus through portfolio mining and increased customer touch points.

Activate Digital Strategy as a Value Proposition and Efficiency Tool

to minimise customer touchpoints through automation and seamless digital banking solutions, enhancing customer experience

In 2023, we continued to strengthen our digital offerings, allowing customers easy access to a range of banking transactions, backed by the latest technology and innovations. We launched the new mobile banking app, EI +. This also incorporated our new and innovative Digital Wealth Management Platform, allowing customers to now open investment accounts, trade local and international equities, and connect with their relationship manager – all directly through the app. Our businessONLINE Platform also was launched as an integrated digital platform, delivering a consistent banking experience to businesses of all scales and sizes.

Other successful digital initiatives included: enhanced use of our Electronic Trading Platform, offering clients and relationship managers an integrated and enhanced FX digital experience; the revamp of our WhatsApp Chat Banking, introducing an array of transactional features; and an integrated ATM, CDM and ITM network with new and improved state-of-the-art features.

We will continue to enhance and deliver innovative digital solutions for our customers, which complement our branch network around the country, as we drive our digital agenda and unlock the manifold benefits of digitisation.

Our Five Strategic Pillars continued

Capture Value From Advanced Analytics Across Business and Support

to unlock hidden opportunities and create new avenues for growth

Advanced analytics and lifecycle management remain key in building new use cases, with three use cases identified in 2023 across our segments, thus allowing us to explore and expose potential untapped revenue streams, whilst strengthening our ongoing cross-selling opportunities. We will continue to enhance cross-selling opportunities by use of analytics to support accelerating growth momentum.

Build a High-Performance Organisation and Position Emirates Islamic as the Employer of Choice

through investment in development of our people and culture

We have taken significant steps in creating a high-performance organisation to position Emirates Islamic as an employer of choice, while strengthening our organisational culture and promoting agility and empowerment, as well as diversity and inclusion, across the organisation.

Continued progress in building a high-performance organisation remains a key focus to us, with initiatives to achieve that ambition falling into four key themes:

Engagement – ensuring alignment with the Group's priorities and sustaining engagement using a top-down approach; **Culture** – continuing to infuse our values, CODE, and invest in the employer value proposition, and diversity and inclusion agenda; **Emiratisation** – ensuring that as we reach the Central Bank of the UAE's strategic aspiration points, used as guidance for our operational and recruitment goals; and **Talent** – revamping our recruitment strategy while upgrading existing talent and investing in developing successors for key roles.

Leverage the ENBD Group's Strength and Reap the Benefits of Collaboration

through capabilities and geographical presence

Our active collaboration with the Group continues to unlock synergies in key opportunity areas, by retaining and upskilling talent, accelerating digital delivery and enhancing operational efficiency.

Significant progress and continued focus include alignment of the business operating models between Emirates Islamic and the Group to create efficiencies and optimise the use of resources. This includes sharing knowledge and skills, the collaboration of our support functions, and improved joint planning and development among units, including Compliance, Legal, Credit and Risk.

Our focus also includes a joint digital agenda being re-enforced by leveraging Group-wide investments to position Emirates Islamic as a key player in the Islamic Banking digital market.

Market Overview

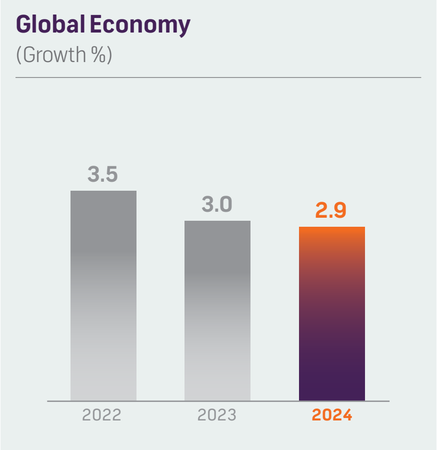
The UAE economy and its banking sector demonstrated strength and resilience in 2023, delivering robust growth despite a challenging global economic backdrop.

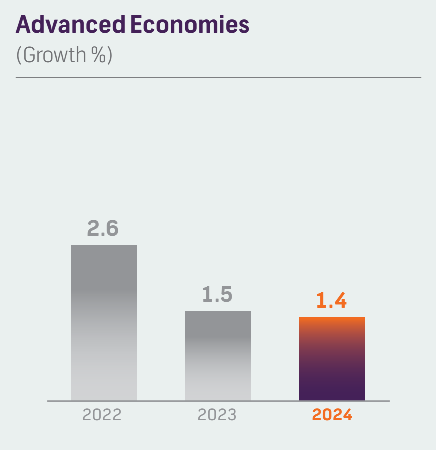
Global Economic Slowdown and Sustained High Inflation

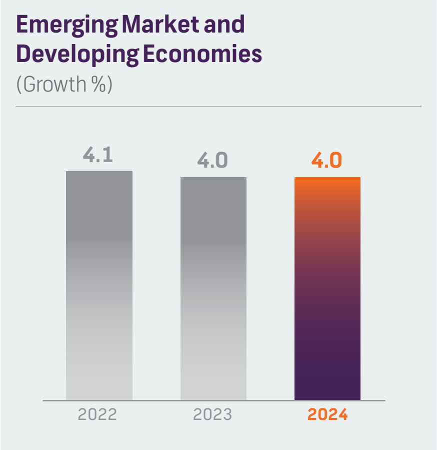
Global economic growth slowed in 2023 as high inflation and tightening monetary policy weighed on economic activity. Advanced economies have borne the brunt of the slowdown, with the exception of the US, which has proven to be remarkably resilient in the face of significantly higher interest rates.

Emerging markets have fared relatively well in terms of growth, but debt sustainability is increasingly in focus as higher profit rates and a strong USD make it more difficult for countries with high levels of debt to meet their payment obligations.

Inflation has slowed in 2023, largely due to declining energy and food prices, but also as tighter monetary policy has started to impact demand. Major central banks are likely at the top of their profit rate cycles, but with inflation still well above target in most developed economies, policy makers are pushing back against market expectations for rate cuts as early as Q2 2024.

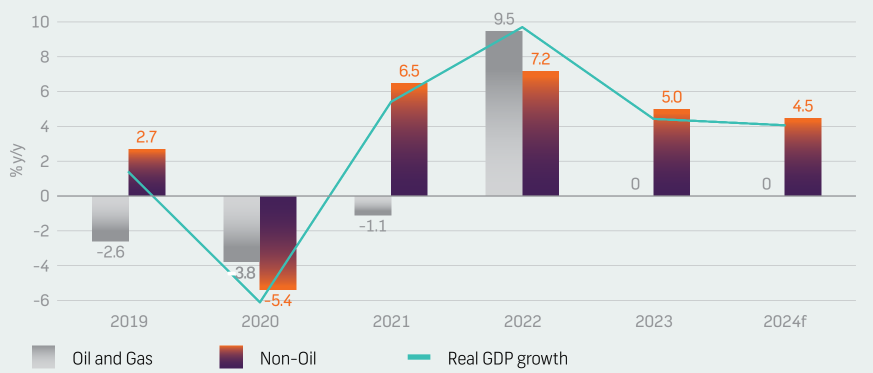






Source: IMF World Economic Outlook, October 2023

UAE: Non-Oil Sectors Drive Growth in 2023



Source: Haver Analytics, Emirates NDB Research

UAE Strong Growth and Continued Diversification

The UAE is on track to deliver strong growth, with the non-oil sectors expected to grow by 5% in 2023. Demand has held up well despite higher interest/profit rates and a weaker global backdrop. Data on school enrolments and mobile phone subscriptions point to population growth in the UAE this year, which along with increased government spending, has likely contributed to overall demand growth.

Travel and tourism have been key drivers of economic activity in the UAE in 2023 and Dubai in particular. Even as global merchandise trade volumes have softened, international travel has continued to rebound post-pandemic, boosting passenger numbers through Dubai's airports and contributing to growth in the retail and hospitality sectors.

OPEC+ production cuts have limited crude oil output and weighed on headline GDP growth in the UAE in 2023. Nevertheless, Emirates NBD estimates headline GDP growth of around 3.6% in 2023.

Inflation moderated in 2023 on lower energy prices and slowing services inflation. However, population growth has helped to push up the cost of housing and household durables, and Emirates NBD expects inflation to average 3.5% in 2023.

Uncertainty around the outlook for 2024 remains high, with global growth uneven and as geopolitical risks abound. Nevertheless, the UAE's strong fiscal position and progress on structural reform should continue to underpin investment and growth in 2024 and beyond.

The UAE is Positioned to Remain a Key Islamic Finance Hub

The UAE's Islamic financial industry remains well established consisting of six local Islamic banks, two foreign Islamic banks, fifteen conventional banks with Islamic banking windows, nine Islamic finance companies, and twelve Islamic insurance (Takaful) companies.

With favourable economic conditions, the UAE is positioned to remain a key Islamic finance hub as Islamic financing growth is expected to continue growing steadily due to a growing demand for Islamic finance products within the UAE, the GCC region and globally.

The global Islamic finance industry is expected to continue expanding into 2024, amidst a forecasted global economic slowdown, with asset growth expected at 10% for 2023 (2022: 9.4%, 2021: 12.2%). Growth over 2023 into 2024 primarily due to favourable conditions in select core markets and promoted by Sukuk issuances expected to exceed maturities, in particular with an increase in sustainability-linked Sukuk issuances.

A Remarkable Financial Year

It was a remarkable financial year for Emirates Islamic, delivering our highest ever profit of AED 2.1 billion – an increase of 71% over 2022 – and a record income of AED 4.8 billion, a rise of 50%. We have achieved growth across all business units.

Financial Highlights

Net Profit AED	Capital Adequacy Ratio	Coverage Ratio
2.1bn	20.1%	131.7%

Total Assets

AED 87.8bn

Customer Financing

AED 53.7bn

Customer Deposits

AED 61.3bn

CASA Balances

75.8% of Deposits

Non-Performing Financing Ratio

6.3%

Capital: Tier 1 Ratio

18.9%

We have delivered an enhanced performance across our operations, maintaining a solid and expanding asset base, with a total balance sheet of AED 87.8 billion.

We recorded our highest ever net profit of AED 2.1 billion in 2023, with a significant increase of 71% from 2022, while our net profit margin was 4.7%.

Our total income grew by 50% to AED 4.8 billion and expenses increased by 15% to AED 1.8 billion.

Compared to 2022, we reported a 82% increase in operating profit.

% Change Over 2022

Net Profit AED 2.1 billion

71%

Net Profit Margin 4.7%

1.3%

Total Income AED 4.8 billion

50%

Expenses AED 1.8 billion

15%

Operating Profit AED 3.0 billion

82%

Customer financing for 2023 was AED 53.7 billion growing at 11% from 2022.

We recorded our highest growth in finance receivables and deposits since 2016. This strong performance is based on higher income and prudent cost of risk, reflecting an improved business sentiment as well as dynamic and robust strategic and control frameworks.

Strong capital and liquidity combined with a healthy deposit mix enabled us to support our diversified client base.

Our customer deposits for 2023 were AED 61.3 billion, an increase of 9% from 2022, and we boast of one of the largest CASA balances at 75.8% of total deposits, enjoying low cost of funding to support our balance sheet growth.

Our Common Equity Tier 1 ("CET 1") ratio and Capital Adequacy ratio were 18.9% and 20.1% respectively for the year. Emirates Islamic's gross financing growth has improved in 2023, and we boast a greater productivity and return on assets.

Fitch Ratings has affirmed our Long-Term Issuer Default Rating of "A+" with a Stable Outlook, Short-Term IDR ("ST IDR") of "F1", with an upgrade of Viability Rating to "bb+".

With the most impressive results in our history, we continue to invest in extending our financial and geographic footprint, which, combined with our technology outlay, is reflected in the rise in expenditure in 2023.

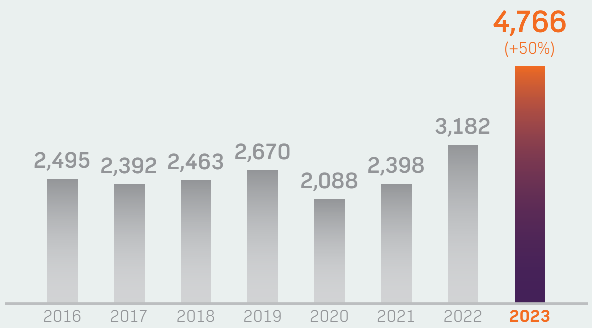
As we maintain our position as a leading Islamic financial institution in Dubai, we understand the vital investment needed in innovation and the benefits that it yields for our customers who are at the heart of everything we do, and providing the most convenient and secure banking services are crucial to retaining existing clients and acquiring new business.

As we aspire for more record-breaking financial performance, we will continue our expansion and innovation strategies and introduce a wider scope of services to every segment of our business. In addition, we will offer an even more attractive proposition to encourage acquisition and provide more convenient channels for new-to-bank customers.

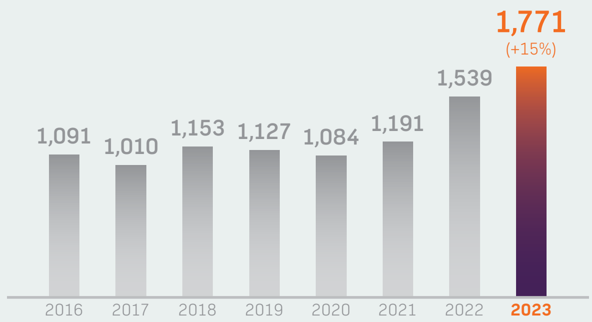
Ms. Huda Sabil Abdulla
Chief Financial Officer

Revenues and Costs

Revenues (AED million)

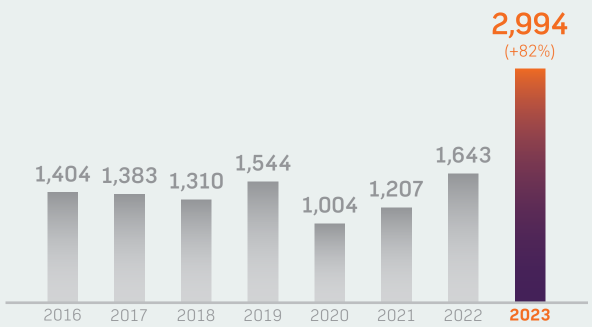


Costs (AED million)

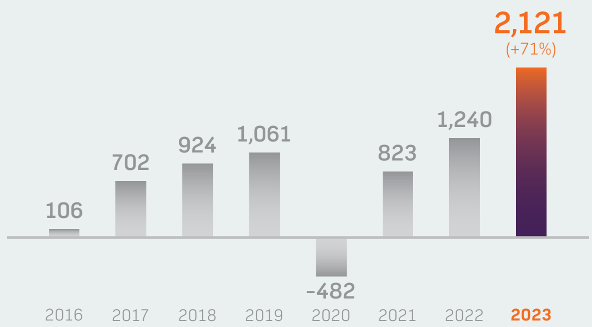


Profits

Pre-Provision Operating Profits (AED million)

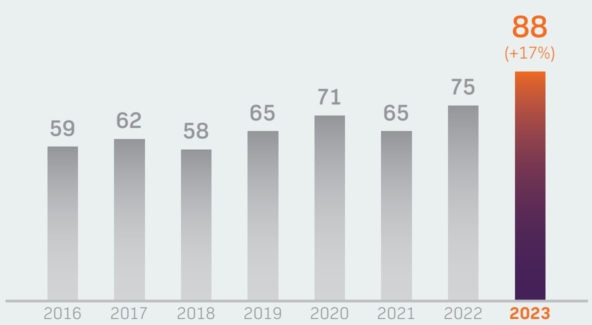


Net Profits (AED million)

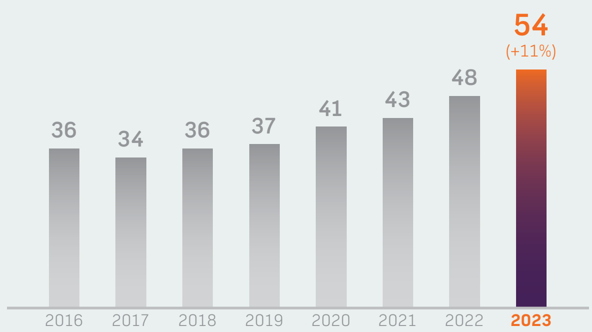


Assets and Financing

Assets (AED billion)

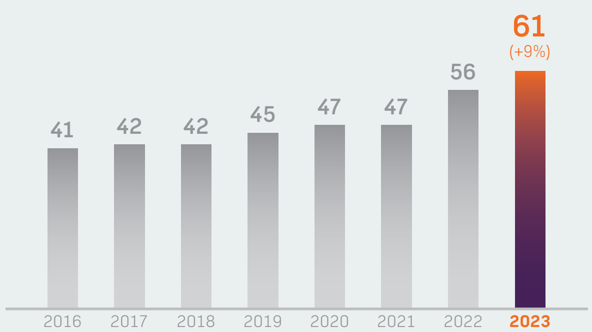


Financing Receivables Net (AED billion)

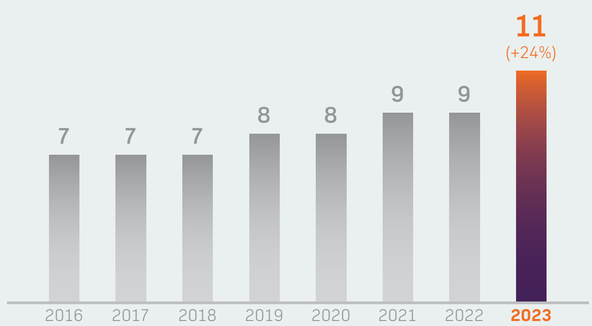


Customer Accounts and Equity

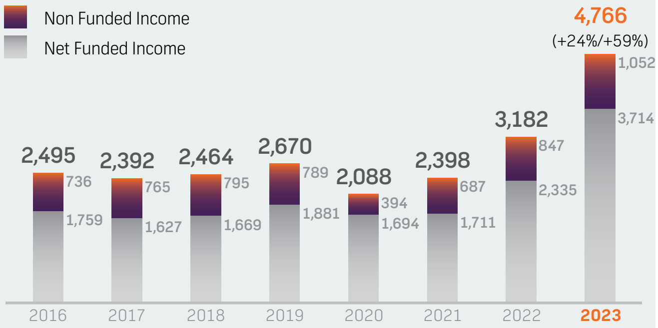
Customer Accounts (AED billion)



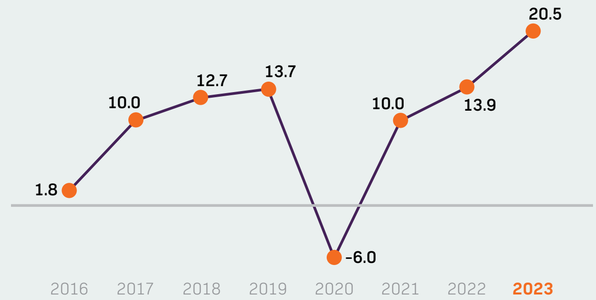
Equity (AED billion)



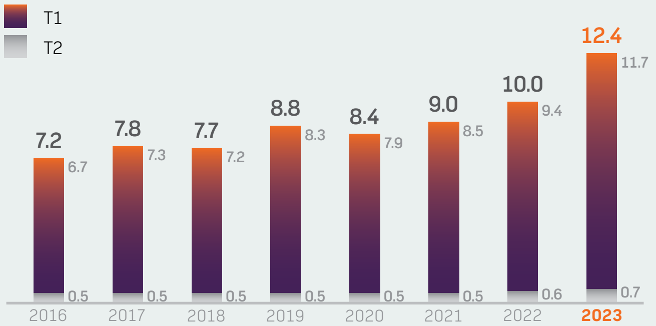
Sources of Operating Income
(AED million)

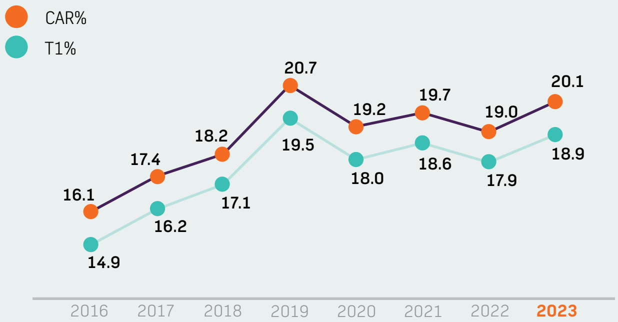


Return on Tangible Equity
%

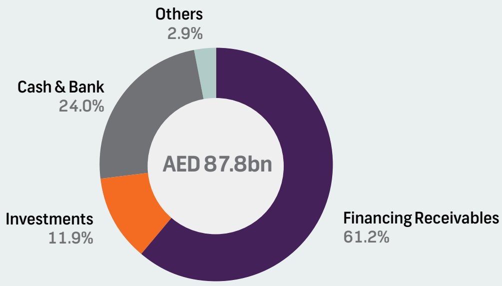


Capitalisation
(AED billion)

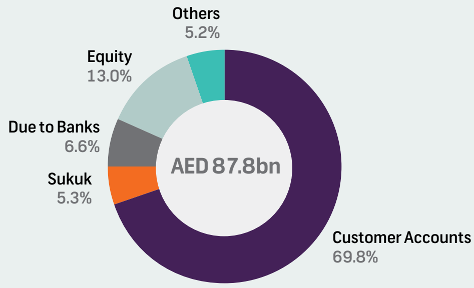




Balance Sheet Analysis
Assets



Liabilities and Equity



Retail Banking and Wealth Management

Mr. Mohamed Al Hadi
Acting Head of RBWM

"As we continued our momentum of rapid growth and strategic expansion in 2023, RBWM provided greater opportunities to our existing customers and encouraged a significant number of new customers to benefit from our offerings. Our investments in digitisation and technology played a major role in facilitating an even more efficient and effective range of services than ever before, maintaining our status as one of the most progressive retail Islamic banks."

Income (AED)
2.97bn
(+37.3% YoY growth)

CASA
78%

Net Profit (AED)
1.09bn
(+0.7% YoY growth)

Customer Deposits (AED)
49.9bn
(+14.7% YoY growth)

Net Customer Financing (AED)
34.7bn
(+11.4% YoY growth)

Contribution to EI Income
62%

RBWM Overview

The RBWM division manages the Bank's retail financing and deposits, business banking for SMEs, priority banking, private banking, and wealth management segments.

- Personal Banking is the main growth engine of the Bank's retail business, focusing on serving mass and emerging affluent customers, while covering all basic banking needs and product financing.
- Priority Banking is an exclusive service designed to meet the unique needs of affluent individuals. Our clients enjoy personalised services and a wide range of benefits, including dedicated relationship managers, priority centres, preferential pricing, and a selective range of Shariah-compliant wealth management products.
- We offer our Ultra-High-Net worth customers a bespoke Private Banking service with access to seasoned financial experts to support their wealth management needs through advisory, access to markets, and Shariah-compliant investment products.
- Emirates Islamic's Business Banking provides a wide range of Shariah-compliant banking solutions to SMEs across the UAE. We offer enterprise accounts bundled with short- and long-term Islamic financing, trade services, foreign exchange, and cash management solutions, with dedicated business banking hubs in Abu Dhabi, Dubai and Sharjah.

As of December 2023, Emirates Islamic has 40 branches, 1 pay office and 216 ATMs across the UAE.

Divisional Strategy

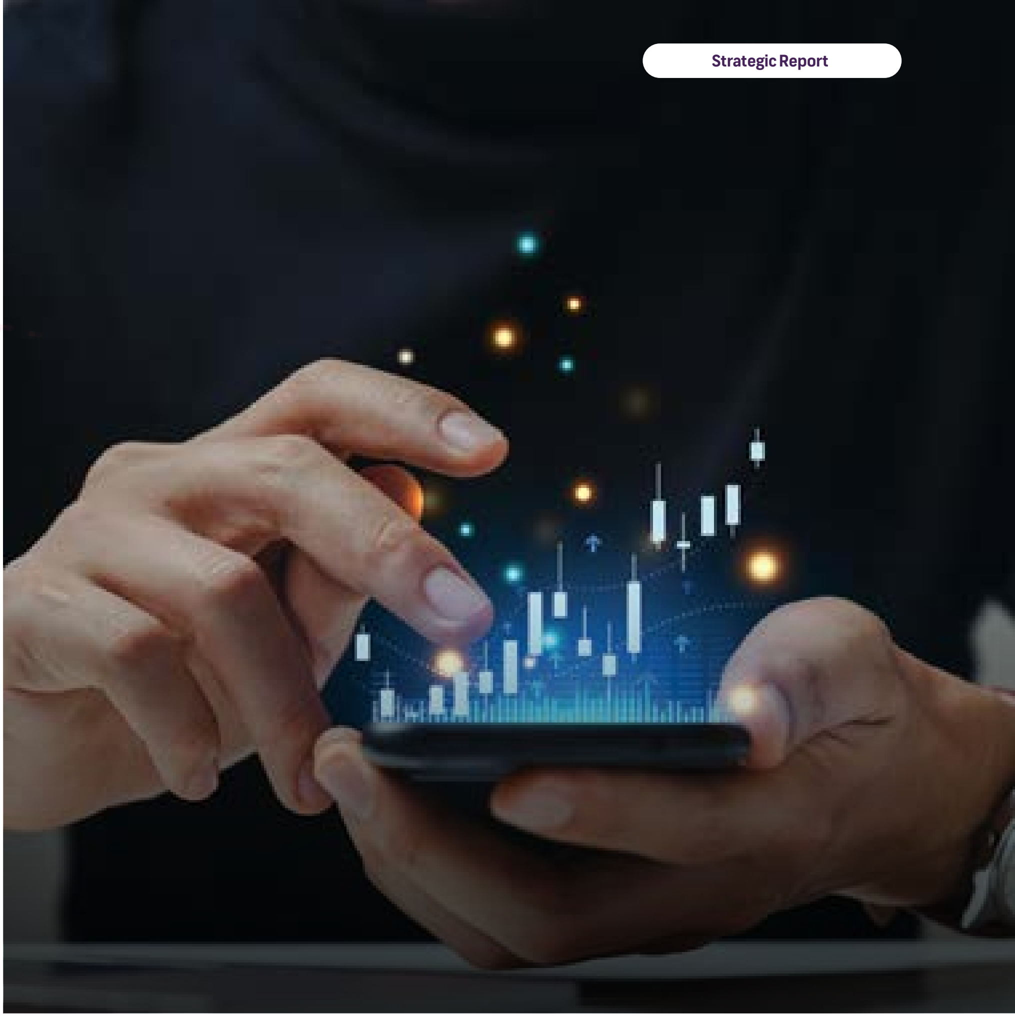
Our strategic focus is based on the Bank's primary aim to accelerate growth through customer acquisition, expand our employee banking proposition, enhance sales coverage in advantage banking, and increase risk management coverage in premium segments.

We placed greater digitisation emphasis on key initiatives and increased marketing and brand awareness across all high-end clients and business banking.

In our constant commitment to maintain unrivalled customer care, we continued to exceed expectations through our knowledge management portal, an omnichannel model, and centralised complaint management network.

Furthermore, we leveraged advanced analytics to build new use cases for foreign exchange, initiate wealth and asset cross-sell methods and strengthen our ongoing cross-sell activities.

Emirates Islamic reinforced its commitment to SMEs through the launch of its Knowledge Series – part of the "going beyond banking" initiative – providing expert market insights on current trends and topics.



Success Story
In order to increase the number of salary transfer customers in Personal and Priority Banking, we invested in establishing Employee Banking proposition units and sales coverage teams, ultimately leading to growth in liabilities and retail assets.

This included Employee Banking Relationship Managers who worked on a one-bank strategy with Corporate Banking Relationship Managers to serve the payroll requirements of our key clients.

Furthermore, a dedicated sales team was established to fulfil acquisition and cross-sell needs.

Government Partnerships
As the exclusive banking partner of the Mohammed Bin Rashid Housing Establishment and Sharjah Housing Program, we funded more than AED 1.6 billion in housing finance in 2023. With an extensive client base across the UAE and as a staunch financial supporter of Government initiatives to develop SMEs, Business Banking remains committed to promoting opportunities for SMEs.

Product/Digital Innovation
We launched our enhanced mobile banking app EI + providing our customers with over 75 new banking services from the convenience of their mobile phones.

Our customers are now able to open investment accounts and trade in Shariah-compliant equities. Equities directly via our the Digital Wealth feature on EI + and our WhatsApp Chat Banking has been revamped with more user-friendly features.

With the digital spotlight also shining on SMEs, we initiated our businessONLINE integrated platform for businesses of all scales and sizes, providing a mobile app with multiple instant account services for SMEs.

Business Banking has also simplified customer onboarding, with 85% of total sourcing now conducted via tablet banking.

In order to enhance our customer experience even further and deliver the most convenient and comprehensive services, our new and improved ATM, CDM and ITM facilities incorporate state-of-the-art features complementing our network of branches around the country. We also introduced our new Digital Knowledge portal, Internal Knowledge Management portal and Customer Care portal helping create a more time-efficient and cost-effective solution for both the Bank and our customers.

In addition, more than 70 STP services were introduced for our call centre and branch staff to provide best-in-class customer service.

Our new Islamic trade platform, smartTRADE, enables fast and efficient transactions to reduce turnaround time and make international trade financing more convenient, more efficient and more secure.

In terms of easing overseas transfers for personal accounts, we have added United Kingdom as the third QuickRemit corridor for our existing individual customers on our new Mobile Banking App.

MoUs/Partnerships
As part of our commitment to the community, we collaborated with Awqaf Dubai to distribute 3,000 pre-paid Sand cards worth AED 3 million to beneficiaries, including orphans, widows, people of determination, and those with limited income.

Business Banking partnered with Emirates Development Bank on a joint credit guarantee scheme to support the financial inclusion of SMEs, as well as initiate tie-ups with licensing authorities and free zones to open business accounts for startups.

RBWM Contribution to the Bank’s Performance
Our double-digit balance sheet growth is the primary contributor, complemented by maintaining healthy product margins and efficient servicing.

Digitisation and our focus on STP had a significant positive impact on our operating profit.

Awards 2023
Islamic Finance News Awards
- Best Retail Bank in the UAE
- Most Innovative Bank in the UAE
- Best Digital Offering

International Finance Magazine Awards
- Most Innovative Shariah-Compliant Bank
- Best Islamic SME Bank

World Finance Islamic Finance Awards 2023
- Best Islamic Bank in the UAE
- Best Retail Bank in the UAE
- Best SME Bank in the UAE

Corporate and Institutional Banking

Mr. Vivek Shah
Head of C&IB

"C&IB's performance in 2023 resulted in our highest-ever income, a clear reflection of the dedicated efforts of the team in increasing the business volume. Combined with a renewed investment in digitisation and greater collaboration with Emirates NBD, we can look back on a remarkable year of successes and look forward to even greater milestones in years to come."

Income (AED)
0.83bn
(+30.3% YoY growth)

Net Profit (AED)
614m
(+33% YoY growth)

Contribution to EI income
17%

Total Assets (AED)
27.3bn
(+20% YoY growth)

CASA
66.2%

C&IB Overview

The C&IB division is responsible for building and maintaining relationships with our large public and private sector corporate and financial institution clients. We provide a full-fledged value proposition consisting of working capital finance, trade finance, project finance, syndicate and structured finance and cash management services to large and mid-sized corporates, financial institutions, sovereigns and government-related entities.

Among our most impressive achievements in 2023 were:

- Record yearly income for the division since inception.
- Significant increase in the club/syndicated deals.
- Collaboration with Emirates NBD Group leading to an enhanced client experience.
- Development of ESG framework.
- Increased number of Shariah-compliant Islamic derivative offerings to corporate clients.

Divisional Strategy

As the banking sector races to implement industry innovation, Emirates Islamic has already invested heavily in digitisation. In 2023, we integrated new banking technology even further throughout the division, maximising STP journeys, not only across cash and trade, but also in financing.

In our efforts to build a more diverse client base, we committed to greater product improvisation and client cross-sell, pushing for higher new-to-bank transactions.

Success Story

The Bank's C&IB team has always been a pioneer in providing Shariah-compliant solutions and structures including Revolving Credit Facilities, Musharaka Structures, Cash and Trade products and services giving us an edge over our competition.

Furthermore, C&IB has adopted a dynamic approach to cater to the clients' needs as well as to educate our customers with the recent changes in the Islamic banking industry. Therefore, we have reshaped our capabilities to maintain our strong presence in the Islamic banking space and ensure high level of clients satisfaction, by expanding our Shariah-compliant solutions offering, developing bespoke Shariah-compliant structures and aligning our existing Shariah-compliant offerings to comply with the recent market changes.

We understand that in today's rapidly evolving business landscape, staying ahead of the curve is essential. Therefore, we are committed to provide a better customer experience through digital solutions. This year, we have been able to improvise multiple online channels as part of our digitisation strategy.

Overall, 2023 has been a successful year for C&IB across multiple parameters.

Government Partnerships
We pledged – and delivered – support to the Dubai and the UAE Government through pre-IPO financing, a partnership with the Buna platform to enhance and facilitate cross-border transactions in the Arab region, the creation of an ESG framework and other ESG-related activities, including being a participant in COP28 as part of Emirates NBD Group.

Product/Digital Innovation
- Enhancement of businessONLINE.
- Project Simplify.
- Smart LC and e-Guarantee.
- Smart Cash Deposit Machine.
- Launching Quick Remit with Lloyds Bank for GBP Currency, which allows online money transfer service within 60 seconds and available 24/7 for retail clients without any additional costs.

MoUs/Partnerships
As part of our strategy to serve the payroll requirements of our key clients, we partnered with Kamelpay, the corporate digital payment platform, to cater to low-salaried employees.

Emirates Islamic and The Islamic Corporation for the Insurance of Investment and Export Credit ("ICIEC") have signed agreements to bolster trade flows in Organisation of Islamic Cooperation member states.

C&IB Contribution to Bank's Performance
17.4% income share, 29% net profit share. C&IB's revenue growth of more than 30% has played a significant role in Emirates Islamic's record-breaking year. Our financing receivables recorded a stable net growth of 10.4% coupled with 12.1% growth in CASA; contributing AED 651.5 million towards net income from financing and investment products.

Awards 2023
Euromoney Islamic Finance Awards 2023
- Best Islamic Real Estate Deal

World Finance Islamic Finance Awards 2023
- Best Cash Management Bank

Treasury and Markets

Mr. Ebrahim Qayed
Head of Treasury and Markets

"Treasury and Markets delivered a record-breaking performance yet again, testimony to our ongoing efforts to grow and expand our range of services and products. By issuing the first Dirham-denominated Sukuk by a UAE financial institution, we have reinforced our standing as a leader in our field and a pioneer in progressive banking."

Income (AED)
0.41bn
(+119% YoY growth)

Invesment Securities (AED)
10.4bn
(+41.8% YoY growth)

Financing Deposit Ratio
87.7%

Net Profit (AED)
395.5m
(+158.4% YoY growth)

Contribution to EI Income
9%

Treasury and Markets Overview

Emirates Islamic Treasury and Markets provides a wide coverage across Money Markets, Capital Markets, FX and Islamic derivative products.

- The Assets and Liabilities Management Desk plays a pivotal role in contributing towards the Bank's Net Funded Income while managing both short term and long-term liquidity and profit rate gaps.
- The Sales and Structuring Desk navigates the complex landscape of market volatility, leveraging a suite of Islamic derivative products including options, Wa'ad and swaps.
- The Flow and Execution Desk provides execution services across all Bank channels and Direct Dealing clients on FX, Banknote, Sukuk, Equities, Funds and Structured Notes.
- The Business Management Support Desk is a non-dealing support team responsible for overall governance of the Treasury Front Office.

Divisional Strategy

In line with Emirates Islamic's primary strategies in 2023, our aim was to enhance our customer base, expand services and digitise our operations to benefit internal and external stakeholders. This focus on technology has helped streamline processes and enhance efficiencies.

As we looked to improve relationships with existing customers and acquire new business, our concerted efforts to increase proactive engagement with strategic clients resulted in higher volumes and increased cross-sell in key segments. We crafted more tailored strategies which provided clients with the opportunity to effectively hedge their exposures, not only mitigating risks, but also providing opportunities to further enhance their returns.

Our focus on FX and Islamic derivative revenue generation resulted in a healthy pipeline execution across the businesses, in addition to increased client flow activity from successful contests in Treasury and Market sales.

Success Story

Treasury and Markets marked an historic moment in the Islamic banking industry, highlighting our commitment to the efforts by the Ministry of Finance in establishing a robust AED curve. The division successfully issued an AED 1 billion public Sukuk, the first Dirham-denominated Sukuk issuance by a UAE financial institution.

This landmark three-year issue was oversubscribed by 2.5 times, giving a vote of confidence from global Shariah-compliant investors.

Our primary goals are to provide the best possible products and services to our customers while reinforcing the UAE's position as the financial centre of the region by supporting government initiatives. By issuing this Sukuk, we achieved both these goals.

As a result of this ground-breaking achievement Emirates Islamic was recognised as the "Most Innovative Sukuk" at The Banker Islamic Banking Awards 2023.

Product/Digital Innovation

In line with the Bank's drive for digital innovation across the organisation, Treasury and Markets has implemented a range of new technologies to enhance internal processes and provide our clients with more effective, efficient, and accessible services and customised products in line with client needs.

- PRS variants.
- Reverse Repo for FI clients.
- Ministry of Finance Sukuk execution.
- Realtime FX implementation.
- smartDEAL implementation for frontline staff.

Treasury and Markets' Contribution to Bank's Performance

9% income share, 19% net profit share. Treasury and Markets' revenue growth of more than 119.5% has played a significant role in Emirates Islamic's record-breaking year. Our Sukuk book recorded an exceptional net growth of 44.3%, contributing AED 333.4 million towards accruals.

Awards 2023

The Banker Islamic Banking Awards

- Most Innovative Sukuk

World Finance Islamic Finance Awards 2023

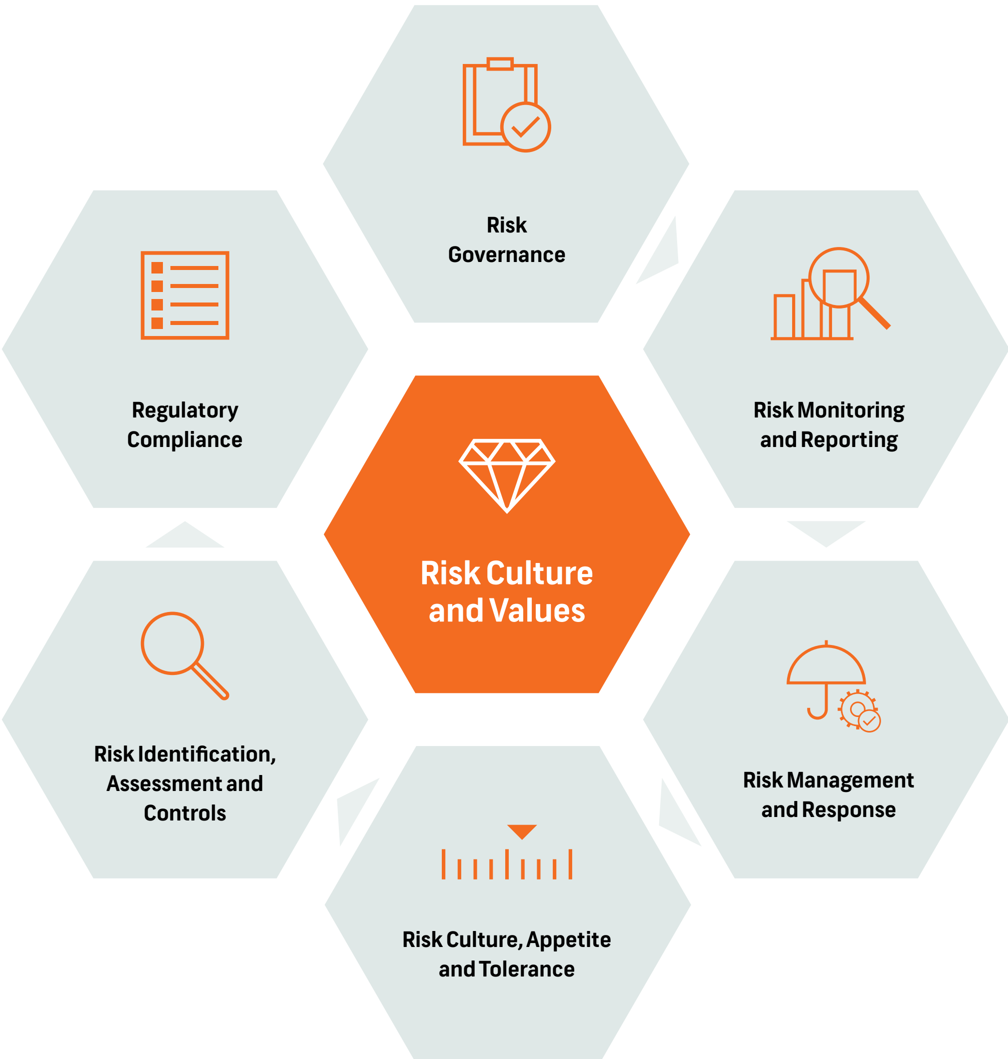
- Best Treasury Management Bank

Risk Management

Emirates Islamic proactively identifies, monitors and mitigates a wide range of risks to the execution of its strategy and business performance. The Bank has comprehensive risk governance and management frameworks, which are regularly reviewed and updated, and implemented at every level of the organisation to ensure that every function and employee is aware and contributing to the mitigation of risk factors.

Risk Management Framework

The Bank faces a range of risks in pursuit of its strategic objectives. We maintain a comprehensive Risk Management Framework that defines our approach to management of both financial and non-financial risks. The Framework, underpinned by our culture and values, supports effective Bank-wide risk management across the risk management lifecycle.



Risk Governance

The Board of Directors (''the Board'') plays a critical role in overseeing a Bank-wide approach to risk management and conducts its oversight mainly through the Board Risk Committee ("BRC"), which presides over the establishment and operations of the Risk Management Framework. This role is further strengthened through the support of the Group Risk Committee ("GRC"), which is a management level committee with representation from Emirates Islamic to emphasise risk management responsibilities.

Board of Directors

Board-Level Committees	Board Risk Committee **BRC**	Board Credit and Investment Committee **BCIC**	Board Audit Committee **BAC**
Executive Committees	Executive Committee **EXCO**	Asset Liability Committee **ALCO**	ENBD Group Risk Committee **GRC**
	ENBD Group Model Risk Management Committee **MRMC**	Management Credit Committee **MCC**	

The Group uses the three lines of defence model as an integral component of its risk governance:

First Line of Defence 1

Business units (Relationship and Product) originate risk and are responsible and accountable for ongoing management of such risks. This includes direct assessment, control and mitigation of risks.

Second Line of Defence 2

Risk management, finance and a compliance function complement the business lines' risk activities through their monitoring and reporting responsibilities. They are responsible for overseeing the Group's risk-taking activities and assessing risks and issues independently from the business line. These functions promote the importance of the role of Senior Management and business line managers in identifying and documenting risk owners as part of New Product and Process Approval ("NPPA") and assessment of risks in a critical manner.

Third Line of Defence 3

Independent and effective internal audit function provides independent review and objective assurance on the quality and effectiveness of the Group's internal control system and the first and second lines of defence.

Principal Risks

The Risk Management Framework defines the material risks the Bank faces in the ordinary course of business. These risks are actively reviewed and updated to ensure that we remain agile in a dynamic market environment. The Bank maintains a risk appetite statement which is an articulation of the target risk profile that the Bank intends to accept, underwrite, and/or be exposed to in the normal course of its business conduct.

The Bank's Risk Appetite Statement ("RAS") is based on the strategic objectives of the Bank and is reviewed at least annually. It proactively monitors principal risk exposures against pre-defined thresholds of all key risk metrics for the Bank. These metrics guide alignment of business, client and products strategy with risk appetite at an overarching level. The Enterprise and Regulatory Risk function provides an overarching view of emerging risks and facilitates the coordination between key risk functions in order to achieve strategic objectives cohesively and effectively, while adhering to the risk appetite.

Principal Risk	Risk Description	Risk Oversight	Risk Monitoring and Reporting
Credit Risk	This is the risk of an obligator's default due to failure to meet their payment obligations to the Bank. This could arise in various business segments, such as C&IB, Business Banking, Private Banking and Retail Banking.	There is a well-defined governance structure in place to manage credit risk, including credit concentration risk and country and transfer risk. The GRC, MCC, BRC and BCIC are the main Board and management committees with oversight of credit risk and are supported by the Corporate and Retail Credit units. Their governance is supplemented by forums, systems, policies, underwriting standards, procedures and processes. These stipulate an end-to-end approach for the management of credit risk across the credit lifecycle, from origination to final settlement. The Bank follows prudent financing policies with adjustments made based on portfolio performance and the external environment. There is a team dedicated to recovery from delinquent customers to ensure efficient collections and remedial measures. The Bank has sophisticated early warning triggers in place to identify signs of problems within the financing portfolio and to take rectification measures as needed.	The Bank proactively monitors portfolios and implements strategies considering the external environment, focusing on growth across business segments. The Bank's well-defined credit policy covers various aspects including the early alert process, monitoring process, and sectoral appetites. Limit frameworks against name, sector and geography (amongst others) ensure that exposures or potential exposures do not exceed internal or regulatory limits. The Bank follows the The Central Bank of the UAE ("CBUAE") criteria for asset classification and International Financial Reporting Standards 9 reporting requirements, ensuring compliance to delinquency classification and provisioning requirements.
Counterparty Credit Risk	Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction could default before the final settlement. The value of Islamic derivative transactions will change with fluctuations in factors such as Profits rates, foreign exchange rates, equities or commodities. The Group is exposed to CCR from its sales, trading and balance sheet management activities.	CCR is managed though the Counterparty Credit Risk Policy. The BCIC is the Board-level committee with oversight of counterparty credit risk. The MCC, GRC and MRMC are the management-level committees responsible for the same and have oversight of policies, methodologies and the limit framework.	CCR positions are monitored on a daily basis against approved limits. These limits are reviewed annually in accordance with applicable credit policies, processes and approval delegation. Interim reviews are undertaken where necessitated by change in counterparty credit worthiness and/or business plans.
Market Risk	This is the risk that arises from changes in market variables such as profit rate, foreign exchange rates, credit spreads, equity prices, commodity prices, their correlations and implied volatilities. The Bank is exposed to market risk from its trading, client servicing, and balance sheet management activities.	The MIC, ALCO and GRC are the Senior Management committees that support the Bank in managing market risk. They establish the market risk management policy and methodology framework governing prudent market risk-taking backed by measurement and monitoring systems and internal controls. They are supported by the Bank's Market and Treasury Credit Risk unit. It supports the Bank to operationalise the market risk management framework to support business conduct while ensuring adequate risk control and oversight.	The market risk management strategy and market risk limits are established within the Bank's risk appetite and business strategies (taking into account macroeconomic and market conditions). The treasury trading book market risk positions are monitored on a daily basis against approved and allocated market risk limits by independent support units.

Principal Risk	Risk Description	Risk Oversight	Risk Monitoring and Reporting
Asset Liability Management Risk	Asset-Liability Risk Management ("ALM") is the strategic management of the Bank's balance sheet structure and liquidity requirements covering liquidity sourcing, its diversification, profit rate and structural foreign exchange management.	The ALCO is responsible for the management of the Bank's balance sheet and liquidity risks. It is supported by the ALM desk within the treasury unit for day-to-day management with independent oversight from Market and Treasury Credit Risk and ALM-Finance units.	ALM metrics covering liquidity, profit rate risk in the banking book ("IRRBB") and structural FX are reported to the ALCO on a monthly basis and the BRC on a quarterly basis by Market and Treasury Credit Risk and Finance.
Capital Risk	This is the risk of the Bank's capital composition or level falling below levels sufficient to support its strategy and meet regulatory thresholds. Capital Adequacy (Reporting/Assessment) Process is a comprehensive activity undertaken by the Bank on a periodic basis to estimate the capital requirements generated by its assets. This covers both regulatory capital reporting (Pillar I and III) as well as Internal Capital Adequacy Assessment Process ("ICAAP") and stress testing (Pillar II).	The Bank maintains a capital management policy which establishes mechanisms and procedures to ensure that the appropriate level of capital is maintained. The BAC and BRC have oversight of the regulatory capital reporting process and are supported by Finance and Enterprise and Regulatory Risk units.	Regulatory capital adequacy reporting process is done by the Bank on a quarterly basis while ICAAP is conducted annually. These processes follow the guidelines set by the CBUAE or relevant supervisory body where the Bank is benchmarked against the regulatory and RAS thresholds.
Operational Risk	This is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events.	The BRC is the Board-level committee with oversight of operational risk. The GRC supports the BRC in the oversight of framework, policies and methodology documents. The Operational Risk Unit maintains the overall operational risk management framework that includes management of fraud risk, cyber risk, outsourcing risk and business continuity management. The unit works closely with the Bank's business lines and subsidiaries to raise awareness of operational risk. Key risks are identified and discussed at functional operational risk meetings and the GRC. These form the cornerstone of the Bank's operational risk management activity.	The Operational Risk Unit develops and implements the methods for the identification, assessment, measurement and monitoring of operational risk throughout the Bank and provides regular and comprehensive reporting on operational risks to Senior Management and the BRC.
Conduct Risk	This is the risk that the Bank, its staff, or third parties associated with the Bank, conduct business in an inappropriate or negligent manner that leads to negative customer outcomes, or has an adverse effect on market stability/reputation, or fair competition.	The Conduct Risk Framework details the process for management of conduct risk at Emirates Islamic. The framework is maintained by the Operational Risk Unit with oversight from the GRC and BRC.	Specific reports are provided to the business risk committees, the GRC, and the BRC on conduct risk exposure to ensure that the management is aware of the risks and enabling informed decision making and prioritisation of actions. This reporting also ensures compliance with the regulatory requirements of the CBUAE.
Reputational Risk	This is the risk of loss of earnings and future revenue, loss in market value, or lack of liquidity supply due to deterioration of reputation, and threat to the brand value.	The Reputational Risk Policy defines the approach employed by the Bank to measure and assess potential reputational risk. The BRC and EXCO have oversight of reputational risk management.	Reputational risk exposure is assessed principally via the Risk Assessment methods of the Bank. Following assessment, key risks are monitored via the Key Risk Indicator or Key Control Assessment. Open Issues and related actions are tracked to ensure that risks, including reputational risks, do not materialise.

Principal Risk	Risk Description	Risk Oversight	Risk Monitoring and Reporting
Compliance Risk	The risk of legal or regulatory sanctions, fines and losses associated with damage to the Bank's reputation as a result of its failure to comply with applicable laws, regulations, policies or good practices.	Compliance is the responsibility of all staff and the Bank's systems of internal controls are critical to detect and prevent the Bank and the wider international financial system from being used to support terrorism, sanctioned targets and crime. A key internal control to support this measure is employee vigilance. The GRC, BAC and BRC are the main Board and management committees with Compliance Risk Oversight.	An independent unit within the Bank is responsible for assisting the Bank's Senior Management in designing, implementing, delivering and supporting a framework to ensure appropriate measures are in place to mitigate and manage the Bank's compliance risks. All relevant regulatory and compliance matters are reported and discussed at the Bank's Senior Management level through the GRC, BAC and BRC.
Legal Risk	Risk of imposition of penalties, damages or fines, or regulatory or reputational loss or harm from the failure of the Bank to meet its legal obligations, including regulatory or contractual arrangements, customer relationships, and/or products and/or services, or failure of operational processes and controls.	The overall responsibility for legal risk is with the Board. An independent unit within the Bank manages legal affairs. The unit reports directly to the CEO and works closely with the first and second line of defence to monitor and mitigate legal risk across the Bank. It provides ongoing legal risk education/training for internal stakeholders about relevant legal developments and steps the Bank and stakeholders are expected to take to help manage legal risks.	The Legal Department records and maintains a comprehensive database of civil legal cases filed for and against the Bank. The risk profiles of material cases against the Bank are discussed with Senior Management. A list of material cases is reported to the GRC and BRC on a quarterly basis.
Strategic Risk	Strategic Risk implies the risk of disruption to the defined Bank's strategic priorities, either through changes in core assumptions or changes in internal or external parameters driving the Strategy.	Strategic Risk is defined, managed and monitored at a Bank level. Various management committees monitor progress against specific strategic areas across the Bank via periodic activities. These include EXCO, ALCO, GRC, IT Steering Committee and the Digital, Analytics and Fintech Committee.	Initiatives and priorities defined and agreed on as part of the Bank Strategy, and those percolated down to the segments / units / international subsidiaries are monitored on an ongoing basis, in order to timely identify any potential risks to the defined strategy and table any required adjustments to the various committees.
Shariah Non-Compliance Risk	Risk emanating from the non-compliance of the Islamic banking activities of the Bank with the guidelines, resolutions, Shariah pronouncements and Shariah standards issued by the Higher Shariah Authority ("HSA") at the Central Bank of UAE ("CBUAE") and the Bank's Internal Shariah Supervision Committee ("ISSC") and that can lead to reputational risk, regulatory risk and financial losses.	The ISSC undertakes Shariah oversight and supervision of the operations, business and the code of conduct of the Bank.	Shariah compliance monitoring in the Bank is done across the three lines of defence. ISSC issues an annual report stating the extent of the Bank's compliance with Shariah principles. The report is presented to General Assembly following the Higher Shariah Authority approval.

Principal Risk	Risk Description	Risk Oversight	Risk Monitoring and Reporting
Model Risk	Model risk is the risk of potential adverse consequences resulting from decisions being made that are based on incorrect or misused model outputs and reports. The potential loss could be based on the output of the internal models because of errors in the development, implementation, or use of such models.	A Model Risk Management Committee ("MRMC") is in place to support the Board in the oversight of model management. It oversees the implementation of the Model Governance and Management Framework, which establishes an operational framework to govern and manage all steps in the model lifecycle, including the development, validation, approval, implementation, monitoring, and use of risk models, in alignment with the CBUAE Model Management Standards and Guidance.	Model risk control is also conducted at the Bank level. The model inventory is updated regularly to record comprehensive information for risk models used by the Bank. The Group Model Validation ("GMV") unit is responsible for tracking the resolution or the escalation of model risk issues. A comprehensive model risk report is produced by the GMV and reported to the MRMC quarterly and to the BRC annually.
Environmental and Social Risk	The Bank considers climate risk as part of the broader environmental and social risks ("ESR"). This is the potential negative consequences to the Bank that could result from our impacts on the natural environment or communities.	The BRC has oversight of ESR management. Our strategy on these risks is being incorporated into the Risk Management Framework and is guided by the three lines of defence approach. We have developed an ESR Policy ("ESRP") Framework, which aims to foster decision-making that aligns with our commitment to delivering responsible financial services. Our goal is to collaborate with clients in advancing environmental and social enhancements, while steering clear of business dealings that fail to meet the standards set out in our ESRP Framework.	The Bank has set up a high level steering committee to set up ESG-linked financing targets and to monitor the progress as business strategies are developed to achieve these objectives.

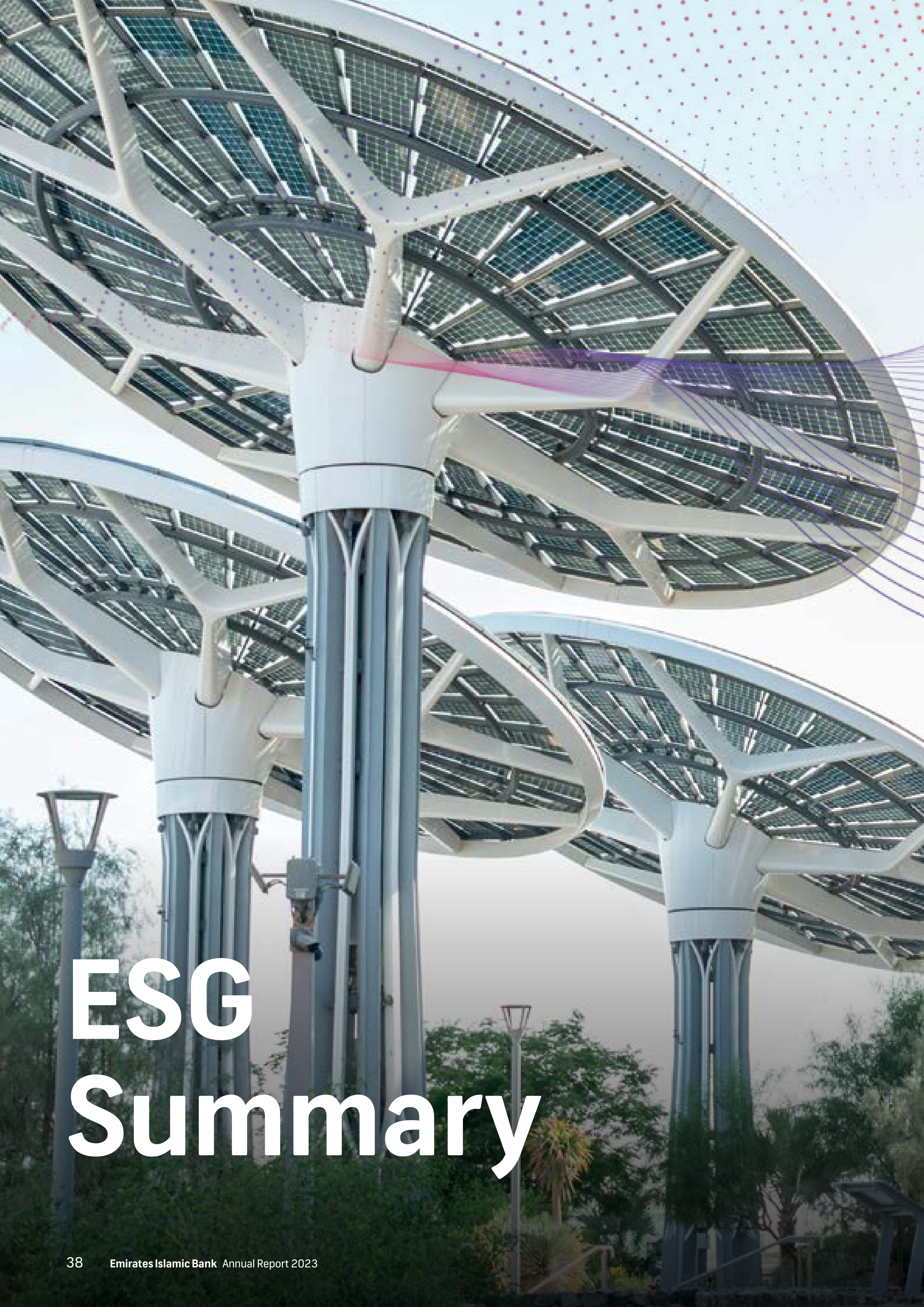
List of Branches and Pay Office

Branch Name	Branch Location	P. O. Box	Branch Telephone Number
Abu Dhabi and Al Ain			
Abu Dhabi Main Branch	Corniche Area, Wave Tower	46077 Abu Dhabi	02-6160888
Abu Dhabi Airport Road	Sheikh Rashid Bin Saeed Al Maktoum Street	46077 Abu Dhabi	02-4464000
Abu Dhabi Mall	Abu Dhabi Mall, Ground Floor, Next to Yateem Optician	46077 Abu Dhabi	02-6145194
Al Ain Main Branch	Othman Bin Affan Street, Al Murabbaa Area – opposite Al Ain Mall	15095 Al Ain	03-7511159
Bawabat Al Sharq Mall	Bawabat Al Sharq Mall, Ground Floor, Baniyas	46077 Abu Dhabi	02-6134734
Boutik Mall	Sanaiyya – Khalid Ibn Sultan Street. Next to Etisalat – Beside LuLu	15095 Al Ain	03-7034590
Jimi Mall	Jimi Mall, Al Jimi	15095 Al Ain	03-7034520
Khalifa City	Villa No. 104, Sector SE-02, Khalifa City 'A'	46077 Abu Dhabi	02-6134711
Dubai – Bur Dubai			
Al Barsha Mall	Al Barsha Mall, Barsha	6564 Dubai	04-3733211
Al Diyafah	Diyafa Street, opp. Dune Centre, Al Otaiba Building	6564 Dubai	04-3733205
Bur Dubai	Bahwan Centre, Sheikh Khalifa Bin Zayed Street, next to Bur Juman metro station	6564 Dubai	04-3597888
Dubai Health Care City	Building No.16, Ground Floor, Dubai Health Care City	6564 Dubai	04-3834726
The Dubai Mall	The Dubai Mall, Ground Floor	6564 Dubai	04-3828010
Al Wasl Road	Ferdous Center, Near Union Coop society	6564 Dubai	04-3733209
Dubai Hills Mall	Dubai Hills Mall, 1st Floor	6564 Dubai	04- 3733813
Al Barsha Heights Branch	I Rise Tower, Al Barsha Heights, Ground floor	6564 Dubai	04-3733080
Jumeirah Lakes Towers	Almas Tower, First Floor	6564 Dubai	04-3733225
Jumeirah Road	Sunset Mall, Um Suqeim 1	6564 Dubai	04-5921111
Sheikh Zayed Road	Al Wasl Tower	6564 Dubai	04-3312020
Palm Jumeirah	Palm Jumeirah – Nakheel Mall	6564 Dubai	04-3733275
Dubai – Deira			
Nad El Shiba	Avenue Mall, Nad El Shiba 1	6564 Dubai	04-5121982
Al Mizhar	Aswaq Centre, Near Al Mizhar Mall, Al Mizhar 1	6564 Dubai	04-2845799
Al Twar	Dubai Municipality Building, Ground Level, opp Al Twar Centre	6564 Dubai	04-7023880
Baniyas	Baniyas Road, Al Sabkha Area, Al Sabkha Building	6564 Dubai	04-2023900
Nakheel Road	Naif Street, Ahmed Abdul Rahim Hafiz Building, Dubai	6564 Dubai	04- 3733829
Warqaa Mall	Al Warqaa city Mall, Al Warqaa 1	6564 Dubai	04-2367878
Dubai Festival City	Dubai Festival Centre, opp Ikea, Level 1	6564 Dubai	04-3733201
Land Department	Dubai Land Dept Building, Ground Level, Baniyas Street, opp Dubai Chamber of Commerce	6564 Dubai	04-2215301/ 04-2212321
Mirdif City Centre	Level 1, Mirdif City Centre	6564 Dubai	04-3733055
Nad Al Hamar	Bel Rumaitha Club Building, Al Rebat Street	6564 Dubai	04-2845999
Khawaneej Walk	Khawaneej Walk, last exit, Khawaneej 1	6564 Dubai	04-3733832
Sharjah and Northern Emirates			
Ajman	Al Jurf 2, close to City Centre Ajman	6688 Ajman	06-5064012
Fujairah	Fujairah – Town Center, Hamad Bin Abdulla Street	1472 Fujairah	09-2235553
Halawan	Wasit Street, Sheikh Ismail Building	67621 Sharjah	06-5064009
Juriena Zero 6 Mall	Zero 6 Al Juraina Community Centre Mall, University City Road	5169 Sharjah	06-5064038
Khorfakkan	Corniche Street	18969 Khorfakkan	09-2371122
Nasseriya City Centre	My City Center, Nasseriya	67622 Sharjah	06-5064018
Qasimiyah	Al Qasimiya Tower, King Abdul Aziz Road, Sharjah	67622 Sharjah	06-5720002
Ras Al Khaimah Main Branch	Emirates Islamic Bank Tower, Ground Floor, Al Muntaser Street, Al Nakheel Area	5198 Ras Al Khaimah	07-2260044
Rahmaniya Mall Branch	Rahmaniya Mall, Ground floor, Emirates Road	5169 Sharjah	06-5064015
Sharjah Court Pay Office	Al Khan area, next to Khalid Port, Al Meena Street	5169 Sharjah	06-5282248

List of Offsite ATMs

Abu Dhabi
Capital Mall
HH Mohammed bin Zayed – Private Office
ADAFSA – MBZ City
Bawabat Al Sharq Mall
Ajman
FEWA Ajman
Last Chance Wholesale Market
Union Coop Ajman Al Jerf
Union Coop Ajman Rumailah
Saudi German Hospital
Ajman Police – Union Coop Ajman Al Ittihad Road
Al Ain
Bawadi Mall ATM 1 – Near Carrefour
Bawadi Mall ATM 2 – Near Style Studio
Dubai
Union Co-operative – Jumeirah
Union Co-operative – Al Twar
Union Co-operative – Al Aweer
Souk Al Wasl
Sheikh Ahmed Mosque
Union Co-operative Hamriya
Dubai Immigration
Lulu Hypermarket Al Qusais
Bin Sougat Center, Airport Road
Union Co-operative – Al Wasl, Satwa
Dubai Taxi
Saudi German Hospital
Mirdiff City Centre near Etisalat
Etihad Mall
Mall of Emirates – Home Centre
Marina Mall
Deira City Center – Etisalat
Shindga Carrefour
Karama Centre
Emirates Lakes
Dubai Mall – Near Costa Coffee GF
Dubai Mall Kidzania SF
Dubai Mall Ice Rink GF
Megamart Supermarket Al Qusais
Aswaaq Super Market Umm Sequim
Dubai Mall – Food Court SF
EI Head Office, Building 16
Al Ghurair Centre
Al Mulla Plaza
Union Co-operative – Umm Suqueim
Hyatt Creek Heights
Nawaes Madina Al Nahda
Mei'aisem City Centre
RITAJ-DIRC
Mall of Emirates – Near Metro Link
My City Center Barsha
Dubai World Central
Hatta Hospital
Dewa Head Office
Dewa Al Quoz
Meydan-P Building

Dubai (continued)
Union Co-operative – Abu Hail
Al Barsha Mall ATM 3
Falcon City Of Wonders
Emirates Auction
Dar Al Wasl
SIRA
Union Co-operative – Nad Al Sheba
Al Nasr Sports Club
Dubai Police Qusais ATM
Business Village DED Building
Al Hudaiba Awards Building
Blu Tower
Duja Tower SZD
Union Co-operative – Hessa St
Union Co-operative – Al Bada Jumeirah
RTA Umm Ramool HQ
Terhab Hotels and Towers JVT
Bin Shabib Mall – Al Barsha South
YIWU Market
Serena Marketplace
Villanova Community Mall
Hadi Express – Muhaisnah
Union Co-operative – Al Quoz
DIFC Gate Avenue Block C
Union Co-operative – Motor City
Jafza One Community Center
Amity University
Union Co-operative – Mankool
Gold Souk – Al Ras
Aafaq Nad Al Hammar
Al Jaber Optical Head Office
MBR Housing Establishment
Al Aweer Auto Market
Fujairah
FEWA Fujairah
Sharjah Co-operative – Dibba
Miramar Al Aqah Beach Resort
Ras Al Khaimah
Al Murjan Resort – Ras Al Khaimah
FEWA – Ras Al Khaimah
Al Naeem Mall – Ras Al Khaimah
RAK Co-operative Society – Al Rams
Sharjah
Ansar Mall
Rolla Mall
Sharjah International Airport
Megamart Supermarket Sharjah
Sahara Center
FEWA – Dhaid
Pullman Hotel Sharjah
Sharjah Co-operative – Al Zubair
Sharjah Co-operative – Kalba Mall
Sharjah Co-operative – Khorfakkan
Umm Al Quwain
FEWA – UAQ
Senan Hyper Market



ESG Summary

Group Head of ESG and Chief Sustainability Officer's Message

Building a Prosperous and Sustainable Legacy

At the Emirates NBD Group, we are proud to be a part of the UAE's growth story, helping it to develop and prosper as a country with one of the world's strongest financial and banking sectors, contributing to the UAE's sustainability visions.

Emirates Islamic illustrated its commitment towards leading sustainability within the Islamic Banking sector, in support of the UAE's sustainability visions, such as the UAE's Green Agenda 2030 and 2050 Net Zero goal.

Emirates Islamic participated at COP28 along with the Emirates NBD Group, Principal Banking Partner for COP28, taking the spotlight as the only Islamic Bank on the COP28 Climate Finance presidency stage to discuss the role of Islamic finance in leading the sustainable finance market. Emirates Islamic was also a part of the Emirates NBD Group's launch of its Sustainable Finance Framework which allows for the issuance of green and sustainable financing instruments to finance projects that enable the transition to a low-carbon and climate-resilient economy.

As part of our commitment to promote gender equality and representation of women in leadership roles, we aim to achieve 25% representation of women in senior roles by 2027, reflecting our belief in fostering an inclusive and equitable workplace, promoting diversity in leadership, and ensuring equal opportunities. As we execute our ESG strategy, we are confident that we can achieve our collective mission to a fairer, lower carbon economy where sustainability and prosperity is shared by all. This year's report outlines our Emirates Islamic ESG strategy, aligned to the Emirates NBD Group ESG strategy, progress made and the way forward, including results delivered that benefit our customers, employees, society, and the planet.

> "We are also a proud signatory of the UAE Climate-Responsible Companies Pledge."

Mr. Vijay Bains
Group Head of ESG and Chief Sustainability Officer

Approach to Sustainability

Our Strategic Approach

ESG is not just a catchphrase, it is a corporate responsibility that underpins long-term success. Our unwavering commitment to ESG principles reflects our corporate responsibility as well as our commitment to building a sustainable future for our stakeholders.

Our ESG vision is rooted in the broader aim of achieving a balanced integration of sustainable practices across our operational and strategic fronts. It is a vision shaped by our unwavering dedication to the UN SDGs and informed by international standards and best practices.

Our focus on ESG principles underscores the convergence of ethical and economic factors. It is not just about doing good. It is also about creating long-term value for our shareholders, customers, employees, and the society at large.

Our Focus Areas

Sustainable Finance

We are dedicated to supporting the long-term health and stability of the marketplace.

Positive Environmental Impact

We are committed to enhancing the environmental management of our operations.

Responsible Social Impact

We prioritise the well-being of our employees, customers, and communities.

Governance and Ethics

We uphold the highest standards of governance and ethics.

Our Goals and Objectives

Net Zero by 2050

– we are committed to align with the UAE's goal of Net Zero by 2050.

Emissions Reduction

– we intend to support the Third Update of the Second Nationally Determined Contribution ("NDC").

Waste Diversion

– we aim to improve the ratio of diverted waste to general waste by at least 10% in 2024.

Water Conservation

– our goal is to become water efficient by 5% per year in the UAE.

Diversity and Inclusion

– to ensure representation of women in 25% of senior leadership roles by 2027.

For more information on Emirates Islamic – Approach to Sustainability, please refer to the Emirates Islamic ESG Report 2023.

ESG Stakeholder Engagement and Assessing Material Topics

At Emirates Islamic, our long-term vision is focused on the sustainability of our business, as well as the planet and its people. Our Group-led ESG strategy ensures that all our stakeholders, including our employees, valued clients, and the broader community, play a pivotal role in shaping our approach. In line with this strategy, we engage with an extensive list of stakeholder groups.

Emirates NBD Group annually conducts a thorough Materiality Analysis to identify relevant sustainability topics for reporting, in accordance with the latest standards put forth by GRI and the Sustainability Accountability Standards Board. The Analysis provides a comprehensive understanding of the attitudes and opinions of our stakeholders on ESG issues that impact or have the potential to impact our operations.

> "At Emirates Islamic, our long-term vision is focused on the sustainability of our business, as well as the planet and its people."

Key ESG Stakeholders

- Customers
- Local Communities and NGOs
- Employees
- Government and Regulators
- Investors
- Suppliers

Top Five Material Topics

- Sustainable Finance
- Climate Related Risks and Opportunities
- Diversity and Inclusion
- Data Privacy and Cybersecurity
- Corporate Governance and Ethics

The results of our 2023 Materiality Analysis are generally consistent with our previous materiality assessment, undertaken in 2022. They reflect the ongoing importance of issues connected to sustainable finance, climate-related risks and opportunities, diversity and inclusion, data privacy and cyber security and governance and ethics.

For more information on ESG Stakeholder Engagement and Assessing Material Issues, please refer to the Emirates Islamic ESG Report 2023.

Highlights of the Year

Emirates Islamic's Key Sustainability Achievements in 2023

Responsible Social Impact

- Emirates NDB Group Sustainable Finance Framework launched.
- Enhanced ESG product offerings with the launch of the Absher Business Account for SMEs.
- 36% Emirati workforce.
- Contributions made to uplift the community.
- Participation in several volunteering initiatives, as part of the Emirates NBD Group Exchanger programme, and Emirates Islamic Compliance awarded as "Emirates Islamic's Top Contributor".
- Subsidised housing programme-related finance of AED 4.1bn approved as of 31 Dec 2023, with just over AED 1.6bn approved in 2023.
- Sustainable financing deals with international and local corporate clients, as well as financial institutions.
- Partnered with Emirates Development Bank on a joint credit guarantee scheme supporting SME financial inclusion.
- Sponsorship's for MBRHE events at government entities and schools for awareness on housing and financial literacy.

Positive Environmental Impact

- Participated at COP28 illustrating commitment to Net Zero by 2050.
- Approximately 20% reduction in indirect greenhouse gas emissions (Scope 2).
- Participated in the Emirates NBD 60th Anniversary Mangrove Forest initiative to plant 60,000 mangroves in December 2023.
- Planted 110 mangrove trees between 2022 – 2023 as part of the Al Zohra Mangrove Planting Drive.
- Part of the Emirates NBD Group's commitment to the UAE Climate-Responsible Companies Pledge.

Governance and Ethics

- 100% of operations assessed for corruption risk.
- One corruption incident reported against target of zero.

Notable Awards and Recognition in 2023

GBO AWARDS 2022

Global Business Outlook

Best New Business Banking Product, Women Entrepreneurs – Businesswomen Account UAE

INTERNATIONAL FINANCE AWARDS
Celebrating Excellence

International Finance Awards

Most Innovative Islamic Bank,
Best Islamic SME Bank

WORLD FINANCE ISLAMIC FINANCE AWARDS 2023

World Finance Islamic Finance Awards

Best Islamic Bank in the UAE,
Best Retail Bank in the UAE,
Best SME Bank in the UAE

IFN Awards

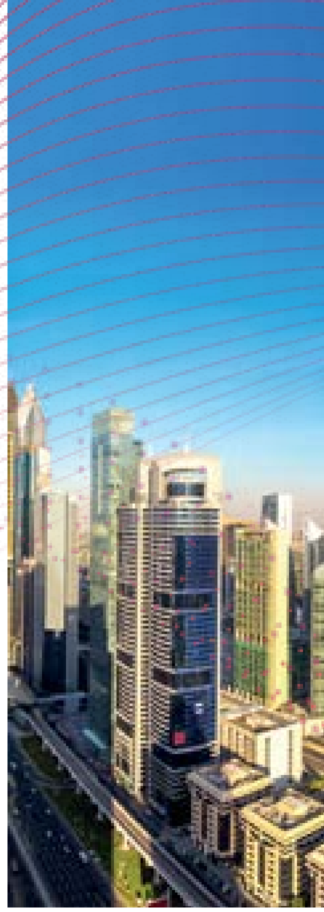
Islamic Finance News Awards

Best Retail Bank in the UAE,
Most Innovative Bank in the UAE,
Best Digital Offering

For more information on Highlights of the Year, please refer to the Emirates Islamic ESG Report 2023.

Corporate Governance

Governance At a Glance



During 2023, Emirates Islamic continued to enhance its corporate governance approach, in line with international best practices and local regulations. Strong governance, along with a culture of responsibility, accountability, transparency and fairness, enables the Bank to deliver its business strategy effectively, in line with a robust risk management framework, ensuring the creation of sustainable value for the Bank's shareholders and other stakeholders.

Board Meeting Attendance

100%

Board Independence

43%

Non-Executive Directors

100%

Gender Diversity in Staff

Male	Female
64%	36%

Gender Diversity at Board Level

Male	Female
85.7%	14.3%

Number of Board and Committee Meetings

68

Board Tenure
(Number of Directors)

0-2 years	1
3-5 years	1
6-12 years	2
> 12 years	3

Regulatory Compliance

Emirates Islamic complies with the governance principles set out in the Emirates Islamic Governance Framework and with relevant local regulatory requirements, including those issued by the following regulators:

- Central Bank of the UAE ("CBUAE")
- Securities and Commodities Authority ("SCA")
- Dubai Financial Market ("DFM")

Company Secretary

Dr. Ahmed Alkhalfawi

Contents

We Continue to Enhance Our Governance Approach

Emirates Islamic Bank P.J.S.C. ("Emirates Islamic" or "the Bank") has always embraced and embedded a strong corporate governance culture, which we believe supports long-term sustainable shareholder value within a framework of prudent and effective controls.

In 2023, we continued to enhance our corporate governance approach, in line with international best practices and local regulations, embracing our core Group values of "Collaboration, Ownership, Drive and Enterprising". We completed several key governance initiatives during the year including restructure of Board Audit Committee and Board Risk Committee, refreshing Board Committee terms of reference and conducting an internal Board performance evaluation. For more details on our governance progress, please see the highlights section on pages 50-51. We were also pleased to welcome our new Emirates Islamic Chief Executive Officer, Mr. Farid Al Mulla, appointed in September 2023, following the retirement of the former Chief Executive Officer, Mr. Salah Amin.

Our corporate governance approach enables the Emirates Islamic Board of Directors and Senior Management to discharge their duties effectively and ensures that risks are managed prudently in accordance with a robust risk management framework, whilst delivering our business strategy in an entrepreneurial and innovative way. Our corporate governance approach also ensures:

- Responsibility for the clear division and delegation of authority.
- Accountability in the relationships between the management of Emirates Islamic and the Board, and between the Board and the shareholders of Emirates Islamic and other stakeholders.
- Transparency and disclosure to enable stakeholders to assess the financial performance and position of Emirates Islamic.
- Fairness in the treatment of all stakeholders.

> In 2023, we continued to enhance our corporate governance approach, in line with international best practices and local regulations, embracing our core Group values of Collaboration, Ownership, Drive and Enterprising."

Throughout the year, Emirates Islamic continued to monitor and comply with all relevant UAE regulations in the financial sector, including those of the CBUAE and the SCA. As part of our commitment to strong corporate governance, Emirates Islamic continually monitors, reviews and implements new/existing governance-related regulations and best practices, both local and international.

Emirates Islamic also 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 or on behalf of the Board of Emirates Islamic.

Looking forward to 2024, we will continue to enhance our governance approach to ensure that it remains streamlined and effective.

In particular, we shall:

- Continue to keep our Board and Board Committees' terms of reference and Corporate Governance policies under review.
- Carry out an externally facilitated independent Board and Board Committee evaluation.
- Embed and integrate our practices in relation to powers of attorney and delegations of authority into core business processes.

I would like to take this opportunity to thank all my colleagues on the Board, our outstanding Senior leadership team and each and every one of our employees for their commitment, hard work and dedication towards enhancing our key governance objectives and approach during 2023. I look forward to working closely together in 2024 and beyond to build on our strong performance and the many achievements delivered this year.

Mr. Hesham Abdulla Al Qassim
Chairman

Key Governance Highlights in 2023

Corporate Governance

- Enhancing the corporate governance function within Emirates Islamic, with the addition of skilled and experienced governance professionals.
- Embedding our Emirates Islamic Corporate Governance Framework into "business as usual" operations.
- Enhancing several key disclosures for further transparency, including enhanced disclosures on Board composition and structure, related party transactions and conflicts of interest.
- Refreshing our Board Audit Committee ("BAC"), Board Risk Committee ("BRC") and Board Nomination Remuneration and ESG Committee ("BNRESGC") terms of reference to reflect current regulations and best practice, and to keep the composition and scope of each Board Committee under review.
- Completing Board and Board Committees' evaluations, which confirmed that the performance of the Board and its Committees is strong, effective and diverse; that Directors have a good overall understanding of the business; and that the quantity of information provided to the Board is sufficient and aligned to Emirates Islamic's long-term strategy.
- Enhancing and streamlining our practices in relation to powers of attorney and delegations of authority.

Human Capital, Diversity, Compensation and Incentivisation

- Conducting an extensive review of our human capital policies and practices to ensure compliance with laws, regulations and standards from various regulatory bodies.
- Establishing transparency in the identified Career Paths for employees based on skills through its Career Mobility framework.
- Streamlining, digitising and automating core Human Resources ("HR") processes to improve employee experience and manage the amount of manual data inputs and handoffs.
- Ensuring that diversity and inclusion continued to be key focus areas and considerations for staff and clients. Further details are provided in the BNRESGC summary Page 76-77.
- Reinforcing Emirates Islamic's leading role in Emiratisation, launching new initiatives to attract and retain UAE National talent, both within Emirates Islamic and for the benefit of the broader banking sector.
- Continuing to promote Emiratisation and the empowerment of Emiratis by providing training and hands-on experience on critical functional and leadership skills.

Technology and Digitisation Governance

- Modernising Emirates Islamic's digital channels, core platforms, and infrastructure, significantly enhancing Straight-Through Processing capabilities through advanced automation, reengineered processes, and paperless customer interactions.
- Enhancing the IT Governance Portfolio Management Framework aligned with the changes in the agile operating model.
- Improving the features of the portfolio and project management application, incorporating capacity and capability management and establishing it as a central platform.
- Launching a major awareness campaign to highlight IT Governance's capabilities, offering support and guidance to the employees.
- Ensuring better compliance with internal standards and ISO 9001.
- Establishing a cloud finance management function within the IT Governance department for handling all public cloud financials in the UAE.
- Sustaining the effectiveness of the annual cybersecurity culture awareness programme for all employees, stakeholders, and consumers, with a focus on AI/ML technologies and their impact on security, enhancing collaboration with third-party partners to strengthen supply chain security and foster more robust business ecosystems. More information is set out in the cybersecurity governance section below.

Cybersecurity Governance

- Recognising the rapid evolution of the digital landscape, and continuing to evolve our cybersecurity processes, policies, controls and structures to strengthen protection of Emirates Islamic's sensitive and customer data, ensuring the security of our digital assets.
- Aligning our cybersecurity strategy with the National Institute of Standards and Technology Framework and the Information Security Forum Standard.
- Bolstering our defences by adopting a multi-layered information security approach. This strategy is managed by a coalition of specialised units which include Business units, the Group Information Security Office, Group Cyber Risk, and Group Internal Audit.
- Employing a sophisticated Threat Conditioning Framework to manage Enterprise Cyber Threats, including security controls, cybersecurity culture, business continuity, incident response, third-party assessments, vendor data management, regulatory compliance, data retention policy, audits, employee training, data breach record and customer awareness.
- Continuing to ensure that cybersecurity governance within Emirates Islamic is overseen by a Group Information Security Committee, chaired by the Group Chief Operating Officer ("GCOO") and Head of Operational Risk.

Data Privacy Governance

- Establishing a dedicated Group Data Privacy Office to create and implement a robust data privacy framework, in line with the various data privacy regulations applicable to Emirates Islamic.
- Ensuring compliance with all applicable international and local data privacy laws.
- Driving the Data Privacy Office's compliance efforts, developing data privacy policies and procedures governing data privacy to protect and uphold the Bank's customers' rights.

ESG Governance

- Reinforcing the importance of Environmental, Social, and Corporate Governance ("ESG") for Emirates Islamic and its stakeholders, led by the Group Chief Sustainability Officer and Group Head of ESG.
- Ensuring full alignment of the Group's ESG Framework with key global and country commitments, including the United Nations Sustainable Development Goals and the UAE's Vision 2030.
- Continuing to develop Emirates Islamic's approach to ESG in line with evolving standards, as strategic initiatives emerge and evolve, both nationally and internationally, including in the areas of net zero, sustainability accounting, and audit and ethics standards.

For further details, please refer to the Emirates Islamic ESG Report.

Board of Directors

Mr. Hesham Abdulla Al Qassim
Chairman, Non-Independent Non-Executive Director

Date of Appointment:
25 June 2011

Career and Experience:

- Mr. Hesham Abdulla Al Qassim ("Mr. Al Qassim") is the Vice Chairman and Managing Director of Emirates NBD P.J.S.C., the Chairman of Emirates Islamic Bank P.J.S.C., one of the leading Islamic banks in the region, and the Chairman of Emirates NBD Egypt and DenizBank A.Ş Turkey, both subsidiaries of Emirates NBD P.J.S.C.
- Mr. Al Qassim is the Chief Executive Officer of Wasl Asset Management Group, responsible for leading its transformation into a world-class asset management company. He is also the Vice chairman of Dubai Real Estate Corporation.
- Mr. Al Qassim has more than 20 years' experience in the banking industry. His professional and vocational qualifications include a Bachelor's degree in Banking and Finance and a Master's degree in International Business Management and in Executive Leadership Development.

Board Appointments to other Public Joint Stock Companies:

- Director of Emirates Telecommunications Group Company (Etisalat)
- Vice Chairman and Managing Director, Emirates NBD

Mr. Buti Obaid Buti Al Mulla
Vice Chairman, Non-Independent Non-Executive Director

Date of Appointment:
18 July 2011

Career and Experience:

- Mr. Buti Obaid Buti Al Mulla ("Mr. Al Mulla") is Chairman of Mohamad and Obaid Al Mulla Group, a Dubai-based market leader in key strategic economic sectors including hospitality, healthcare & pharmaceuticals, real estate, travel & tourism and investments.
- Mr. Al Mulla has over 33 years of professional experience that spans the banking, finance, real estate, hospitality and investment sectors.
- Mr. Al Mulla holds a diploma in Business Administration from Newberry College, Boston, USA.

Board Appointments to other Public Joint Stock Companies:

- Director of Emaar Properties
- Director of Dubai Refreshment
- Director of Emirates NBD

H.E. Mohamed Hadi Ahmed Al Hussaini
Non-Independent Non-Executive Director

Date of appointment:
25 June 2011

Career and Experience:

- H.E. Mohamed Hadi Al Hussaini ("H.E. Al Hussaini") is the Minister of State for Financial Affairs and has wide professional experience across the banking, finance, real estate and investment sectors.
- H.E. Al Hussaini is also a Board member of the Investment Corporation of Dubai, Vice Chairman of Emirates Investment Authority, Vice Chairman of the Federal Tax Authority, Chairman of Etihad Credit Bureau, Director of Dubai Real Estate Corporation and Chairman of the Development Committee of the World Bank Group ("WBG").
- H.E. Al Hussaini holds a Master's degree in International Business from Webster University in Geneva, Switzerland.

Board Appointments to other Public Joint Stock Companies:

- Director of Emirates NBD

Mr. Ali Humaid Ali Al Owais
Independent Non-Executive Director

Date of Appointment:
27 March 2013

Career and Experience:

- Mr. Ali Humaid Ali Al Owais ("Mr. Al Owais") is Chairman and a Board Member of various companies, instrumental in bringing about major changes through his entrepreneurial skills and business contacts.
- Mr. Al Owais holds a Bachelor's degree in Business E-Commerce.

Board Appointments to other Public Joint Stock Companies:

- Chairman of United Food Company
- Vice Chairman of Dubai Refreshments Co.
- Director of Oman Refreshments
- Director of Emirates NBD

Mr. Salem Mohammed Obaidalla
Independent Non-Executive Director

Date of Appointment:
23 February 2019

Career and Experience:
- Mr. Salem Mohammed Obaidalla ("Mr. Obaidalla") is Senior Vice President – Commercial Operations Americas for Emirates Airline.
- Mr. Obaidalla has extensive professional experience and contributed to the success of launching various destinations, such as Amsterdam, Prague, Madrid, Geneva, Copenhagen, St. Petersburg, Dublin, Barcelona and Lisbon.
- Mr. Obaidalla holds a Business Administration degree from Wentworth Institute of Technology in Boston, USA.

Board Appointments to other Public Joint Stock Companies:
- Director of Emirates NBD

H.E. Huda Sayed Naim AlHashimi
Independent Non-Executive Director

Date of Appointment:
23 February 2022

Career and Experience:
- H.E. Huda Sayed Naim AlHashimi ("H.E. AlHashimi") is the Deputy Minister of Cabinet Affairs for Strategic Affairs. Part of this role involves leading the process of articulating the UAE Leadership's Vision, setting an ambitious long-term strategy for the implementation of "We The UAE 2031".
- H.E. AlHashimi led the setup and leads the operations of the Mohammed Bin Rashid Centre for Government Innovation. She also leads the Government Accelerators, and is responsible for governance and institutional restructuring at the Prime Minister's Office.
- H.E. AlHashimi is a member of the Metaverse Steering Committee and the Future of Technology Policy Council at the World Economic Forum.
- H.E. AlHashimi holds a BSC in Business Administration from the Higher Colleges of Technology, where she graduated with honours and received the Sheikh Rashid Award for Scientific Excellence. She is also an alumnus of London Business School, and a policy fellow at the Centre for Science and Policy at the University of Cambridge.
- H.E. AlHashimi completed the Mohammed bin Rashid Center for Leadership Development programme and received a Certificate from IMD for Board governance.

Board Appointments to other Public Joint Stock Companies:
- Director of Emirates NBD

Mr. Shayne Nelson
Non-Independent
Non-Executive Director

Date of Appointment:
5 December 2013

Career and Experience:
- Mr. Shayne Nelson ("Mr. Nelson") is the Group Chief Executive Officer of Emirates NBD Bank P.J.S.C..
  Mr. Nelson's solid experience, across various functions and geographies, is a testament to his diverse background within banking. Prior to joining Emirates NBD, he was the CEO of Standard Chartered Private Bank in Singapore, Chairman of Standard Chartered Saadiq Advisory Board, and a board member of Standard Chartered Bank (China) Ltd. He is also the Director at International Monetary Conference.
- Mr. Nelson's other previous high-profile positions in the banking arena include Regional CEO of Standard Chartered Bank Middle East and North Africa, Chairman of Standard Chartered (Pakistan) Limited, and Chairman of the Banking Advisory Council to the board of the Dubai International Financial Centre (DIFC). He also held the position of Chief Executive Officer and Managing Director of Standard Chartered Bank, Malaysia Berhad based in Kuala Lumpur.
- Mr. Nelson holds a Bachelor of Business from the Western Australian College of Advanced Education and is also a Graduate Member of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Managers.

Board Appointments to other Public Joint Stock Companies:
None.

Senior Management

Mr. Farid Al Mulla
Chief Executive Officer

Experience

Mr. Mulla's tenure with Emirates NBD Group spans over three decades. During this period, he has contributed to major initiatives that have shaped Emirates Islamic's success as a leader in the Islamic banking sector.

As a seasoned banker with extensive experience, Mr. Al Mulla has strengthened Emirates Islamic's market standing with a focus on consumer-centric banking and the introduction of several first-to-market products and services. He has also led Emirates Islamic's digital transformation efforts, contributing to a substantial increase in the Bank's online and mobile banking transactions. His contributions towards Emirates Islamic's long-term Emiratisation strategy of developing UAE nationals for key executive roles and succession planning is a key driver in shaping the Bank's success. His expertise in Islamic banking will help the Bank expand its footprint, in line with His Highness Sheikh Mohammed Bin Rashid Al Maktoum's vision to make Dubai the global capital of the global Islamic economy.

Prior to taking over as CEO, Mr. Al Mulla was Head of Retail Banking and Wealth Management at Emirates Islamic, where he was responsible for the Bank's personal and business banking segments, branches and ATM network, products, customer experience, wealth management and digital banking. He has held several other positions at Emirates Islamic, including Deputy Head – Retail Banking and Wealth Management, Head of Home Finance and Head of Distribution.

Mr. Mohammad Kamran Wajid
Deputy Chief Executive Officer

Experience

Mr. Wajid leads all revenue generating functions at Emirates Islamic, including Retail Banking & Wealth Management, Business Banking, Treasury, Corporate & Institutional Banking and Transaction Banking. A veteran of over 27 years in the UAE banking industry, of which 20 years have been with Emirates NBD Group, he is a well-known name in the regional banking space.

He has undertaken a range of diverse assignments with Emirates NBD Group, including the CEO of Emirates NBD Capital Limited, CEO of Emirates Financial Services, and Group Head of International Wholesale Banking & Financial Institutions. Prior to joining Emirates NBD Bank (P.J.S.C.), Mr. Wajid worked with National Bank of Abu Dhabi ("NBAD") and Mashreq Bank PSC. He also served as a member of the board of Shuaa Capital PSC, Emaar Industries & Investment, and as Group CEO of Emerald Palace Group.

Education and Qualifications

- Master of Business Administration, Aligarh Muslim University Aligarh, India.
- Bachelor of Arts, Aligarh Muslim University Aligarh, India.

Ms. Huda Sabil Abdulla
Chief Financial Officer

Experience

Ms. Abdulla is responsible for the Emirates Islamic's Finance function and directs and controls the Bank's financial strategies, business objectives, budget and performance management. She has been an integral part of the Emirates NBD Group for over 28 years, having started her career as a Personal Services Officer at Emirates Bank, responsible for the Bank's Human Resources services.

Ms. Abdulla's career in the Bank progressed over the years, handling different roles in Emirates NBD Finance. In 2013, she moved to Emirates Islamic as Vice President Business Performance. She played a key role in developing tools and systems to provide critical financial and operational information to the CEO and Board of Directors, and made actionable recommendations on both strategy and operations.

In 2019, Ms. Abdulla was appointed as the Chief Financial Officer, responsible for determining and implementing policies, strategies and providing senior-level input on issues of strategic importance, both of which are aimed at raising shareholder value.

Education and Qualifications

- Certified Islamic Professional Accountant ("CIPA"), AAOIFI, Bahrain.
- Certified Management Accountant ("CMA"), Institute of Management Accountants, USA.
- Bachelor in Business Administration from Ajman University, Ajman University of Science and Technology, UAE.

Mr. Fuad Mohamed
Chief Operating Officer

Experience

Mr. Mohamed was appointed as the Chief Operating Officer in 2022. In this role, Mr. Mohamed is responsible for overall Operations & Control, leading IT Projects and alignment with the Group on transformation and key business initiatives to achieve synergy across entities, focusing towards digitisation.

Mr. Mohamed brings with him 23 years of banking experience. Previous to this assignment, he has served as the Chief Operating Officer and Executive Board Member at Emirates NBD Egypt and has also held prestigious positions such as Vice President of Group IT, UAE and Acting Head of Retail Banking, Egypt. In addition, Mr. Mohamed also held the valued position as Chairman of Digital Committee in Union Banking Federation in his career span.

Education and Qualifications

- Completed his education from Dubai Police College& Higher Colleges of Technology in the UAE.
- Underwent several training programs from institutions like INSEAD & Harvard.

Mrs. Farida Mohammad Rafi
Chief HR Officer

Experience

Mrs. Rafi is a seasoned Human Resources leader with 23 years of experience, having led various HR functions across diverse industries ranging from banking to aviation. She has a proven track record in developing and implementing strategic HR initiatives that drive organisational growth and enhance employee engagement.

Mrs. Rafi has extensive knowledge of building high-performance teams and fostering a culture of innovation and inclusion. She has led wide-scale projects related to talent acquisition, employee retention, Emiratisation, workforce planning, performance management, and leadership development. She has successfully aligned HR strategies with business objectives, resulting in improved profitability and sustained competitive advantage for various world-class organisations that she has worked for across the UAE.

At Emirates Islamic, Mrs. Rafi is focused on upskilling/reskilling people, fostering a productive organisational culture and pay by performance, leadership readiness, the use of data-driven HR decision making that leverages people analytics to optimise processes, effectively support business to achieve their strategic objectives, and enhance employee experience.

Among her previous roles, Mrs. Rafi has been Head of HRBPs and Head of Talent Acquisition and Emiratisation. Prior to that, she served as Head of HR Operations & Administration at Abu Dhabi Airports Company (now Zayed Airports Company), Head of Employee Services & Payroll at UAE General Civil Aviation Authority, Head of HR Operations at Al Hilal Bank, and AVP HRBP at Emirates NBD.

Education and Qualifications

- Master of Human Resources Management, Abu Dhabi University – College of Business Administration, UAE.

Mr. Mahdi Al Kazim
Chief Risk Officer

Experience

Mr. Al Kazim is responsible for all Risk functions within Emirates Islamic, bringing over 34 years of banking industry experience to the role, including with the Emirates NBD Group since 1989. Prior to joining the Bank, he was the Chief Credit Officer of Emirates NBD. He formally served on the Board of Emirates Islamic Brokerage, and as Vice Chairman and Chairman of the Corporate Banking Committee of the Union Banking Federation ("UBF").

Education and Qualifications

- Bachelor's degree in Accounting and Computer Science, UAE University.
- International General Management Programme for Executive Development, IMD, Switzerland.

Mr. Zaki Siddiqui
Head of Internal Audit

Experience
Mr. Siddiqui has more than 36 years of experience in the Internal Audit function across all areas of Corporate and Retail Banking, Trade Finance, Operations, Project Financing and Leasing. He oversees the Internal Audit function at Emirates Islamic, reporting to the Emirates Islamic Board Audit Committee and Group Chief Internal Auditor. He is also a member of Senior Management committees, including the Emirates Islamic Executive Committee.

Mr. Siddiqui previously managed and performed audit responsibilities for Mashreq Bank and BCCI in various countries, including some highly regulated economies such as the USA, UK, Hong Kong, Nigeria and India, as well as other countries including Mauritius, Seychelles, Bangladesh, France, Ivory Coast, Togo and all GCC countries.

Mr. Siddiqui has managed several special assignments and fraud investigations across various banking areas. He has extensive experience working in Line Management in decentralised branch environments in the area of Credit and Marketing, Trade Finance and General Banking.

Education and Qualifications
- Master of Business Administration in Banking & Finance, The International University, USA.
- Diploma in Banking, Institute of Bankers, Pakistan.

Mr. Haseeb Ahmad Ansari
Chief Compliance Officer

Experience
Mr. Ansari has more than 27 years of international banking experience, which includes management of Regulatory and Financial Crime Compliance frameworks, as well as the Governance and Operations domains. He has extensive experience in dealing with regulators, industry bodies, foreign correspondent banks, service providers and consultants.

He has been an active member in the Compliance fraternity and currently, he is the Vice Chairman of the UAE Banks Federation (UBF) Compliance Committee. Prior to joining Emirates Islamic, Mr. Ansari was the Chief Compliance Officer at United Arab Bank and previously, he completed more than nine years at Barclays Bank PLC, where his last assignment was the Regional Head of Compliance for the Middle East. He originally started his career at Citibank, managing a diverse spectrum of functional portfolios for over a decade.

Education and Qualifications
- Master of Business Administration, Preston University (School of Business & Commerce), Pakistan

Dr. Asem Hamad
Head of Internal Shariah Audit

Experience
Dr. Hamad has been working in the field of Islamic Banking in the UAE for more than 16 years. He started his banking career with ADIB before joining Emirates Islamic to oversee the Shariah Audit function. He has published a number of books and articles on Islamic finance and Shariah Audit.

Education and Qualifications
- PhD in Jurisprudence and its Fundamentals, University of Sharjah, UAE.

Dr. Abdulsalam Kilani
Head of Internal Shariah Control Division

Experience
Dr. Kilani has excellent experience in consulting and Shariah governance, in addition to Shariah control, auditing and training. He has been managing the Shariah departments of Islamic banks in the UAE for more than 15 years. He has played a pivotal role in developing Islamic banking products, reviewing annual plans for Shariah control and auditing, and directing Shariah Control Departments to improve work efficiency and raise the level of Shariah quality through proper Shariah implementation. In addition, he has overseen Shariah training materials, such as electronic and remote education training, which were specially prepared for Bank employees, as well as providing Shariah training courses for various departments and job levels. Dr. Kilani has conducted research in topics of Islamic jurisprudence, finance and Islamic banking.

Education and Qualifications
- PhD in Transactional Jurisprudence, The Scandinavian University, Norway.
- Master's degree in Transactional Jurisprudence, the American University, U.K.
- Bachelor's degree in Islamic Studies, the United Arab Emirates University, UAE.

Mr. Ebrahim Qayed
Head of Treasury & Markets

Experience

Mr. Qayed is responsible for managing the Group's liquidity and strategic balance sheet, providing treasury sales, structuring and execution solutions to business units within the Group, and managing the Group's investment book. He started his career with Emirates NBD P.J.S.C. in 2006 and, during his career, held various positions including as a Branch Manager, Head of Flow and Execution Desk, and Head of Treasury Sales and Structuring.

Education and Qualifications

- Master's degree in International Business, Monash University, Australia.
- Bachelor's degree in Information System, University of Melbourne, Australia.
- Leadership Development Programme Certificate, Darden Business School, USA.
- Strategic Thinking & Leadership Programme Certificate, Wharton School, USA.
- Strategic Leadership Development in the Era of Disruption Programme Certificate, Said Business School, University of Oxford, UK.

Dr. Ahmed Mohammed Saeed Mohammed Alkhalfawi
Head of Legal – Emirates Islamic and Group Company Secretary

Experience

Dr. Alkhalfawi has over 17 years of experience in legal, leadership and management roles. As Group Company Secretary and Head of Legal, he is responsible, amongst other things, for ensuring that Emirates Islamic complies with all relevant laws and regulations and has effective governance processes.

Dr. Alkhalfawi previously held senior legal roles in government and semi government entities, including DP World, Jebel Ali Free Zone, Jebel Ali Authority Dubai, Dubai Islamic Bank and HSBC.

Education and Qualifications

- PhD in Shariah and Judiciary Law, Universiti Sains Islam Malaysia.
- Master's degree in Private Law.
- Bachelor's Degree in Law, Ajman University.

Other Key Members of Management

Mr. Vivek Shah
Head of Corporate Banking

Experience

Mr. Shah had joined Emirates Islamic Bank in 2019 as Head of Financial Institutions, Investments and International. He has an experience of over 20 years in financial management, corporate and institutional banking, financing syndications and debt capital markets. Previously, he has served ENBD Group for over nine years in various capacities including Regional Head of Institutional and International Banking & Debt Capital Markets at Emirates NBD Bank and Head of Loan Syndications at Emirates NBD Capital. He has also served as Group CFO for Emirates Palace Group in the UAE.

Education and Qualifications

- MBA degree in Finance and Marketing.
- Chartered Accountant.
- Company Secretary.

Mr. Mohamed Al Hadi
Acting Head of Retail Banking & Wealth Management

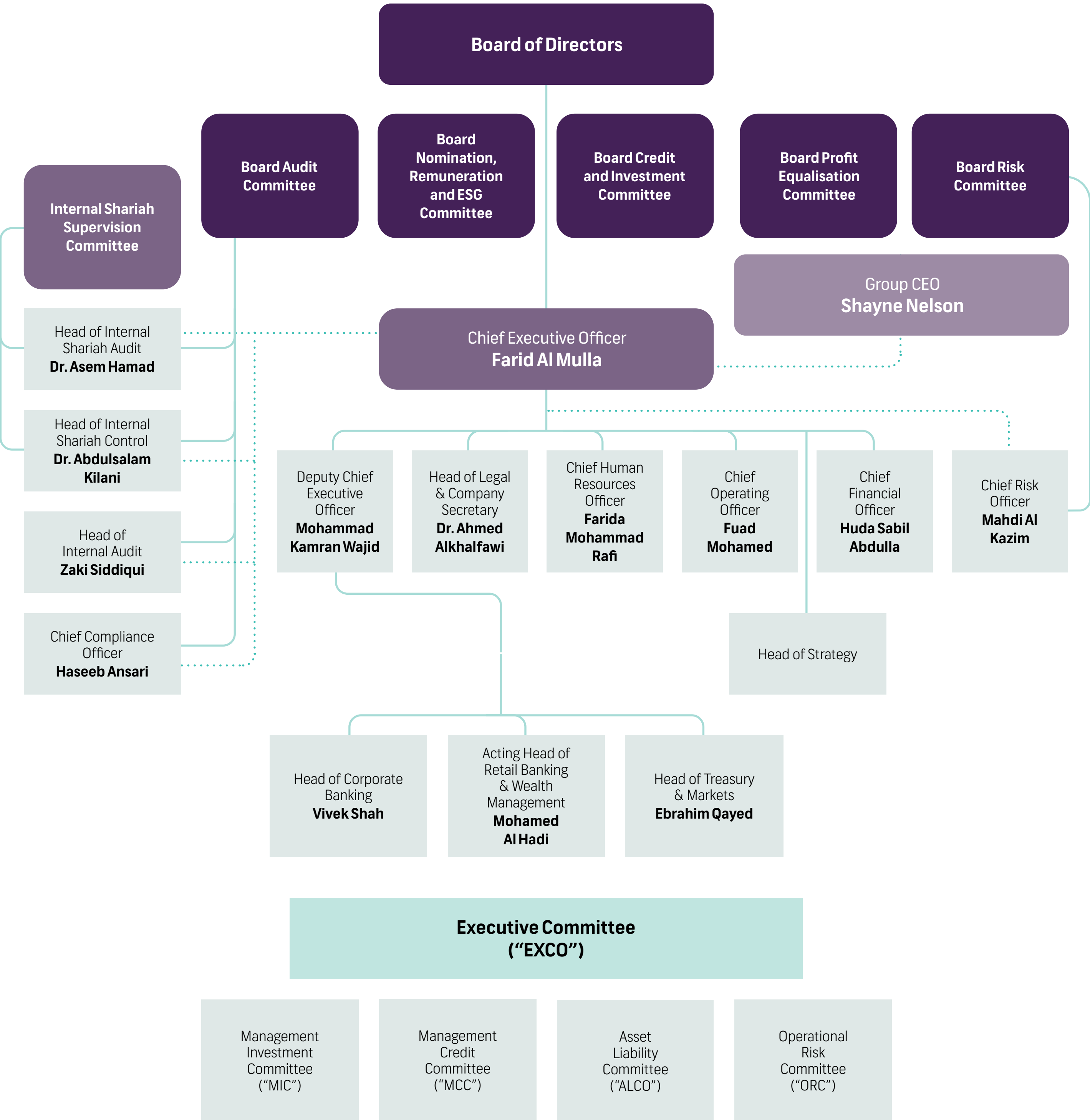
Experience

Mr. Al Hadi brings to the role a wealth of experience and a distinguished career trajectory. With over 18 years of expertise in the banking sector, he has successfully undertaken and managed leadership positions across various divisions within the Emirates NBD Group including, Retail Distribution, Priority Banking, Strategy & Wealth Management.

Education and Qualifications

- Alumni of Bayes Business School.
- Alumni Harvard Business School.

Corporate Governance Model



Emirates Islamic's Corporate Governance Framework is based on the principles of responsibility, accountability, transparency and fairness to support sound and prudent decision making. The Corporate Governance Framework consists of Emirates Islamic's Corporate Governance Manual, Board Charter and a series of Board policies.

The Corporate Governance Manual identifies the responsibilities and accountabilities of the Board and individual Directors, Board Committees and supporting Management Functions. It also provides an overview of the overall governance approach within Emirates Islamic. The Board Charter details the protocols and policies of the Board and is supplemented by specific Board policies related to conflicts of interest, fitness and propriety, remuneration and performance evaluation.

The Corporate Governance Manual Sets Out Four Broad Tiers/levels of Roles:

(i) **Board:** The Board has the ultimate responsibility for ensuring that an appropriate and effective governance framework is established and maintained to manage and control the Bank's activities.

(ii) **Board-level and Senior Management Committees:** The Board delegates authority to Committees and establishes standards for the control and governance of the Bank. Committees have responsibilities and authorities as defined in their terms of reference.

(iii) **Functions:** Individual functions perform business and control activities, which are compliant with all internal policies, procedures, guidelines, external laws and regulations.

(iv) **Individuals:** The business and function heads are delegated with required authorities to ensure effective governance and compliance.

As such, the governance framework guides the Board and Senior Management in the discharge of their duties, aligns their interests with those of shareholders and other key stakeholders and ensures risks are managed prudently. The Bank complies with the framework, suitably adjusted to local regulations. As a result, the commitment to good corporate governance provides a strong basis for the future development and positive corporate performance of the Bank.

Delegation of Authority

All authority throughout Emirates Islamic is ultimately derived from the Board, which ensures an effective system of internal control.

The Responsibilities of the Board

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, complying with all laws and regulations applicable to the Board, governance framework and corporate culture. The Board is responsible for the overall direction, management, supervision and control of the business affairs of the Bank and provides leadership in the development and implementation of the vision and mission of the Bank. The Board is also responsible for providing oversight over Senior Management.

The Responsibilities of the Chairman of the Board

The Memorandum of Association of Emirates Islamic confers authority upon the Chairman to act on behalf of the Bank. The Chairman is responsible for leading the Board and focusing it on strategic matters, overseeing the business of Emirates Islamic and setting high governance standards. The Chairman plays a pivotal role in fostering the effectiveness of the Board and of the individual Directors. The Chairman, on behalf of the Board, delegates specific powers and responsibilities to the Chief Executive Officer by virtue of a duly notarised Power of Attorney ("POA"), who subsequently sub delegates specific authorities to members of Senior Management of the Bank.

The Responsibilities of the Board Committees

Whilst the Board is ultimately responsible for the conduct of Emirates Islamic's affairs, for greater efficiency and to assist it in carrying out its responsibilities, Board Committees have been established with formally delegated objectives, authorities, responsibilities and terms.

The Board has established five permanent Board Committees. Each Committee has its own Board-approved terms of reference, which sets out the responsibilities of the Committee and how it reports to the Board. Each Committee conducts a self-evaluation annually. The Chairman of each Committee determines the frequency of Committee meetings, consistent with the Committee's terms of reference and the requirements of Emirates Islamic.

The Board regularly reviews the composition of the Board Committees. The BAC and the BRC have an Independent Director appointed as the Chair, and the Board Risk Committee has a majority of Independent Members, as required by CBUAE regulations.

Further details of Board Committees can be found in the Board Committee Reports section on pages 72 to 81.

The Responsibilities of the Management Committees

Various Management Committees have been established to assist in the day-to-day management of the Bank's activities, with duly approved terms of reference, which set out the responsibilities of the Committee and how it reports to the Board. Further details of key Management Committees can be found in the Management Committee section on page 84.

Board Composition

Board Composition

The Board composition is in line with all relevant regulations which, amongst other things, state that:

- The Board shall have at least one female Director (Emirates Islamic has one female Director).
- At least one-third of the Directors shall be assessed to be independent (3 of 7 of our Board Directors are assessed to be independent).
- The Chairman of the Board and a majority of the Directors shall be UAE Nationals (6 out of 7 of our members are UAE Nationals).

Our Board composition is also in line with the following guiding principles:

- The Board comprises a sufficient number of independent Directors to meet all relevant regulatory requirements, and to demonstrate effective challenge, enquiry and appropriate “independence of mind and spirit”.
- Directors are qualified, individually and collectively, to discharge their fiduciary duties. They understand their role and are able to exercise sound, objective judgement about the affairs of the Bank.
- All Board appointments are made in line with the approved Fit and Proper Policy This includes a review of candidates’ experience, knowledge, skills and independence of mind, record of integrity and good repute, and time available to carry out their duties. Further details are set out in the Board Charter and Fit and Proper Policy.
- The Board devotes sufficient time, annually, to devising appropriate training programmes for the Directors.

Board Skills

Collectively, the Board comprises seven Non-Executive Directors contributing a wide range of skills, competencies, diversity, expertise and experience from a range of backgrounds, including in the areas of banking, finance, audit, strategic planning, corporate governance, ESG, risk management, technology and digital, and Islamic banking.

Board Diversity

- The UAE continues to enhance gender diversity through Corporate Governance Regulations, including those set by the CBUAE and the SCA.
- Current regulations stipulate that at least 20% of the candidates considered for appointment to the board of a listed company must be female and every board must have at least one member who is female.
- The Emirates Islamic Board is committed to supporting gender diversity. H.E. Huda Sayed Naim Al Hashimi was appointed as the first female Board member of Emirates Islamic in early 2022.
- The Board currently has 14.2% female representation in line with the Emirates Islamic Board Charter and regulatory requirements. The BNRESGC supports the nomination of female candidates and will continue to review opportunities to include gender diversity as part of the Board succession process.
- Emirates Islamic is also committed to playing a progressive role in promoting gender diversity across the organisation and Emirates Islamic’s employee base is currently 36% female.

Board Appointments

- Emirates Islamic recognises that an effective Board and well-qualified and experienced Directors are critical to ensuring that the Board meets its primary responsibility of promoting the success of the Bank.
- The BNRESGC plays an important role in the selection and recommendation of potential Directors for appointment to the Board, ensuring that the Board comprises individuals with a balance of skills, diversity and expertise who collectively possess appropriate qualifications required for the size, complexity and risk profile of the Bank.
- It is ensured that at least 20% of candidates for nomination to the Board are female, in line with regulatory requirements.
- All candidates for Board membership are subject to a Fit and Proper Process to ensure they have sufficient competence, knowledge and experience to effectively carry out their duties. In particular, the BNRESGC may consider the candidate’s profile and experience and the specific requirements of the Board at that time.
- Board appointments are made in line with the cumulative voting requirements under the UAE Commercial Companies Law and Emirates Islamic’s Articles of Association. Directors are elected by an Ordinary Resolution passed by shareholders at the Bank’s General Assembly Meeting (“GAM”) and their appointments are subject to approval by the CBUAE.
- In the event of a vacancy, the Board, assisted by the BNRESGC, may identify candidates with the appropriate expertise and experience, using external consultants and/or placing advertisements, as appropriate. The most suitable candidate will be appointed by the Board within a maximum period of 30 days but must stand for election by the shareholders at the next GAM to confirm such candidate’s appointment or appoint another instead.
- As stipulated in Emirates Islamic’s Articles of Association, all Directors hold office for a term of 3 years and are eligible for reappointment after that.

Board Induction

Board induction and ongoing Board awareness sessions are vital to ensure that Directors keep up to date on key matters. They ensure that Directors have the necessary skills and knowledge to discharge their fiduciary responsibilities effectively and to provide constructive challenge and enquiry to the business of the Board.

Therefore, the BNRESGC, working with Senior Management, provides a tailored induction programme for new Directors joining the Board, in order to ensure that they are properly orientated and well-equipped to fulfil their duties and fiduciary responsibilities. The induction programme includes:

- Information about Directors' rights, duties and responsibilities, the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programmes, its Corporate Governance Manual and Framework, its Code of Conduct, its management structure and an overview of the regulatory environment applicable to the Bank, including the Corporate Governance Regulations.
- Discussions with the Group Chief Executive Officer, Senior Management, the Group Company Secretary, the internal auditors and (where required or considered appropriate) external auditors.
- Appropriate reading materials, tutorials and workshops.

The Board dedicates sufficient time, budget and other resources for its induction programme and regularly reviews it to ensure that Directors acquire, maintain, and enhance knowledge and skills relevant to their duties and fiduciary responsibilities.

Board Management of Corporate Culture

Emirates Islamic continued to embrace a strong corporate culture during the year, which supports long-term sustainable shareholder value. During 2023, the Board and the Emirates Islamic Executive Committee continued to enhance and embed a strong corporate culture in a number of ways, including:

- Continuing to apply a written code of conduct, conflict of interest policy, whistleblowing policy mechanism, culture and values programmes (applying the values of Collaboration, Ownership, Drive and Enterprising), championing consumer protection and encouraging a strong "speak-up" culture.
- Setting the "tone from the top" by playing a lead role in establishing, promoting, embedding and monitoring the Bank's corporate culture and values to ensure that all business is conducted in a legal and ethical manner.
- Monitoring and influencing the culture, reputation and ethical standards of the Bank.
- Ensuring strong engagement with staff and confirming that they are aware that appropriate disciplinary or other actions will result from unacceptable behaviours and transgressions that do not adhere to the Bank's purpose and values.
- Embedding employee engagement scores into Senior Management scorecards.

Board Leadership

Board Meetings held During 2023

- The Board and Board Committee meeting dates, times and key "standing" agenda items are established at the beginning of the year.
- Board meetings take place regularly, at least six times per year, or more, if and when required.
- As highlighted above, and in order to ensure that all relevant and appropriate agenda items are tabled for review/noting/approval during the year, it is the Bank's practice to develop a key standing annual agenda schedule, setting out the standing agenda items to be tabled during the year.
- The attendance of individual Directors is recorded at each Board and Board Committee meeting.
- The Bank's policy is that Directors should demonstrate "constructive challenge and enquiry," and also be of "independent mind and spirit." The Chairman also ensures that there is effective debate, encouraging a wide variety of views, and that each Director has an opportunity to contribute fully. This is to make sure that all decisions take all key matters into account, all in the best interests of the Bank.
- The Board and Board Committee agendas are drafted by the Office of the Group Company Secretary and shared with the Chairman for review/approval, as well as with the Emirates Islamic CEO.
- During 2023, six scheduled Board meetings were held to discuss fundamental matters of the Bank, including reviewing and approving strategic and business performance and other key matters as set out on page 63.

Board Attendance During 2023

The following table sets out the Board meetings attended by each Director during 2023. Where a Director is unavoidably absent from a Board or Board Committee meeting, he/she still receives and reviews the agenda and papers for that meeting. Generally, a Director unable to attend shall provide verbal or written input ahead of the meeting, usually through the Chairman of the Board. This is to ensure that his/her views are considered at the meeting. Whilst Directors make all effort to attend every meeting, this may not always be possible, particularly where additional Board meetings are, exceptionally, arranged at short notice for urgent matters.

Board of Directors		Board Meeting Dates and Attendance					
Names		25 Jan 2023	26 Apr 2023	26 Jul 2023	25 Oct 2023	6 Dec 2023	13 Dec 2023
Mr. Hesham Abdulla Al Qassim	Chairman	√	√	√	√	√	√
Mr. Buti Obaid Buti Al Mulla	Vice Chairman	√	√	√	√	√	√
H.E. Mohamed Hadi Ahmed Al Hussaini	Director	√	√	√	√	√	√
Mr. Salem Mohammed Obaidalla	Director	√	√	√	√	√	√
Mr. Ali Humaid Ali Al Owais	Director	√	√	√	√	√	√
H.E. Huda Sayed Naim AlHashimi	Director	√	√	√	√	√	√
Mr. Shayne Keith Nelson	Director	√	√	√	√	√	√

Key Board Agenda Items During 2023

In 2023, six Board meetings were held and the following key strategic matters were considered:

Strategic and Financial Performance

- Review of financial performance, including performance against the strategy and agreed budgets for each of the business lines.
- Budgets for 2024, all in the context of the approved strategy and risk appetite.
- Review of key business strategies, decisions and risks in light of the regulatory, economic and market environment.

Corporate Governance

- Updates of the BRC, BAC and BNRESGC terms of reference to comply with regulatory requirements and international best practices.
- Approval of the Emirates Islamic Corporate Governance Framework and related policies.
- Updates of Emirates Islamic's Memorandum and Articles of Association to comply with relevant regulations and best practice.
- Review of related party transactions.
- Appointment of new Chief Executive Officer and review of Emirates Islamic's organisational structure.
- Completion of the 2023 Board evaluation process.
- Completion of Board trainings, in line with the 2023 training plan.
- Appointment of External Auditors for 2023.
- Review of Board Committee and Higher Shariah Authority (''HSA'') reports and updates.

Disclosure and Transparency

- Review and approval of various disclosures, including those in the Annual Report, Directors' Report, Financial Results, Corporate Governance Report, ESG disclosures and the Annual Shariah Report.
- Notice of the GAM.

Continuing Awareness Programmes, Succession Planning and Evaluation

Board Awareness Programmes

Emirates Islamic provides ongoing Board awareness sessions during the year on a variety of topics relevant to the business. These awareness topics are developed in consultation with the Board and cover key issues that are considered relevant and appropriate, commensurate with the ongoing or evolving challenges and risks of the business and any regulatory requirements.

During 2023, the following Board awareness sessions, including sessions on regulations, governance and emerging technologies, were delivered to the Board:

Board Awareness Sessions

Environmental, Social and Corporate Governance

1. What is ESG and its Impact on Investors and Regulators?
2. ESG Reporting Landscape
3. The Board's Role in Overseeing ESG

AML/CFT

1. Regulatory Environment
2. Board and Senior Management Responsibilities
3. Emerging Threats

Shariah Insights

1. The Higher Shariah Authority (HSA)
2. Shariah Governance Framework
3. Internal Shariah Supervision Committee
4. Internal Shariah Control Division

At the request of the BNRESGC, Senior Management will provide additional presentations for Directors, on any matters that may help them gain deeper understanding and knowledge of the Bank.

The Board dedicates sufficient time, budget and other resources for its awareness programmes and regularly reviews them to ensure that Directors acquire, maintain, and enhance knowledge and skills relevant to their duties and fiduciary responsibilities.

Board Succession Planning

Emirates Islamic reviews its Board composition regularly to keep it aligned to regulatory requirements and to support the principles of Board independence, diversity and effectiveness. Our continual reviews take account of:

- The skills required of the Board as a whole and of each of its Committees.
- The skills and tenure of each of its Directors.
- The diversity of the Board.
- Board independence.
- All other regulatory requirements.

Board Evaluation

The Emirates Islamic Board is committed to monitor and improve its performance as well as to implement international best practices.

- The Board reviews and evaluates the performance of the Board, each of the Board Committees and each of its members annually, under the Emirates Islamic Directors' Performance Evaluation Policy. This process provides the Board with an understanding of how Board members view their own effectiveness, highlights areas of strengths and improvements and provides an integrated picture of the performance of the Board and its Committees.
- At least once every five years, an independent evaluation of the Board, each of the Board Committees and individual Directors, using an independent external consultant, is conducted in line with the CBUAE regulations.

During 2024, Emirates Islamic will appoint an external consultant to independently evaluate the performance of the Board, Board Committees and individual Directors.

Emirates Islamic Internal Board Evaluation Process

Results of the 2023 Internal Evaluation Process

As part of the 2023 Board Evaluation survey, the Board requested to ensure that sufficient time is devoted to debate key matters, and encouraged additional meetings to take place as may be necessary from time to time.

Overall, the 2023 Board Evaluation survey supported the following conclusion:

- the Board and its Committees perform well, and are strong and diverse;
- Directors have a good overall knowledge of the business and of the Emirates Islamic as a whole, and a wide range of business skills; and
- the quantity of information provided to the Board is sufficient and is aligned to Emirates Islamic's long-term strategy.

Managing Conflicts of Interest and Related Party Transactions

Conflicts of Interest

- The Bank has adopted a "Conflict of Interest Policy" to ensure that details of all transactions in which a Director might have potential interests are presented to the Board for its review and approval.
- Each Director, once appointed and on a quarterly basis thereafter, must disclose all actual or potential conflicts to the Bank.
- As a result of written declarations submitted by each Director, the Board satisfies itself that the other commitments of the Directors do not conflict with their duties, or where conflicts arise, that the Board is sufficiently aware and policies are in place to minimise the risks.
- A Director who, in any way, has a conflict of interest in relation to a contract or proposed contract or arrangement with the Bank shall declare the nature of that interest at a meeting of the Board and record the nature of such interest in the minutes. The Director may not vote on the resolution concerning such contract or arrangement.
- Each year, Emirates Islamic Compliance requests an annual declaration from Senior Management, which it reviews to ensure that the external appointments for each Senior Management member are in line with the UAE Corporate Governance Regulation for Banks and in accordance with the Bank's policies/procedures.

Related Party Transactions

In accordance with the UAE Corporate Governance Regulations, Related Party Transactions ("RPTs") must be defined and identified, to prevent any potential or actual conflict of interest that might arise.

Emirates Islamic has developed an RPT framework and guidelines, which details the processes in place to identify, assess, monitor and report the Bank's exposures towards related parties. RPTs are entered into on an arm's length basis, on normal commercial terms and continue to be monitored by or on behalf of the Board. The Bank also maintains a register of related parties and details for each related party transaction.

Related Party Transactions for 2023 are set out in the following table:

Relationship	Type of transaction	2023 (AED 000)	2022 (AED 000)
Parent and related companies	Financing and other receivables	429,743	971,157
Directors and related companies	Financing and other receivables	4,240	8,671
Key management personnel and affiliates	Financing and other receivables	3,592	164
Ultimate parent company	Customer deposits and other payables	9	183,635
Parent and related companies	Customer deposits and other payables	4,578,147	1,505,156
Directors and related companies	Customer deposits and other payables	99	161
Key management personnel and affiliates	Customer deposits and other payables	18,983	17,847
Ultimate parent company	Investment in ultimate parent company	186,045	191,577
Parent and related companies	Positive fair value of Islamic derivative	67,476	103,257
Parent and related companies	Negative fair value of Islamic derivative	(116,858)	(81,130)
Parent and related companies	Notional amount of Islamic derivative	10,804,699	9,725,512
Parent and related companies	Recharges from group companies	(437,826)	(351,699)
Ultimate parent company	Income from investment	6,443	6,443
Parent and related companies	Income on financing receivables	55,114	12,527
Ultimate parent company	Distribution on deposits	3,911	4,061
Parent and related companies	Distribution on deposits	25,800	8,591
Key management personnel	Short term employee benefits	30,754	24,443
Key management personnel	Post employment benefits	1,062	3,003
Directors	Directors' sitting fee	2,831	3,640

As of 31 December 2023, customer accounts from and financing to Government related entities, other than those that have been individually disclosed, amount to 14.2% and 4.2% (2022: 16.0% and 4.0%) of the total customer's deposits and financing receivables of the Group, respectively.

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

Parent and Group Holding Company is Emirates NBD Bank (P.J.S.C.) and the ultimate parent company is Investment Corporation of Dubai.

Directors' Ownership in Shares and Securities and Overboarding

Ownership and Transactions (Both Purchase and Sale) of the Board of Directors
No Directors hold any share of Emirates Islamic.

Overboarding

Through the application of the Conflict of Interest Policy and the Fit and Proper Policy, the Board ensures that any external directorships or other interests held by any Director (or designate Director being appointed to the Board):

- are not excessive in number, as required by relevant regulations;
- do not take up an unreasonable amount of time, to the prejudice of Emirates Islamic Board duties; and
- do not create any conflict of interest.

Emirates Islamic complies with all regulatory requirements in relation to overboarding, including the following provisions:

- A Director may hold memberships in the boards of up to five (5) Public Joint Stock Companies ("P.J.S.C.") in the UAE, to include P.J.S.C.s inside the banking Group.
- A Director may hold memberships in the Board of only one (1) Bank in the UAE and up to four (4) Banks outside the UAE.
- Directors must obtain permission from the Board before accepting nomination to serve on another board and no conflict of interest must be present.
- Each Director must confirm annually that he/she has sufficient time available to manage the time commitments required from the role in the Bank.

Emirates Islamic also follows a process that Directors must declare on a quarterly basis that they have sufficient time available to carry out their duties with the Bank.

The following table sets out the P.J.S.C. appointments held by each Director and their compliance with the regulations.

Board Member	Number of P.J.S.C. Appointments Held *	Number of Appointments Held in Banks Outside the UAE**	Compliant to Regulation	Sufficient Time Available for Emirates Islamic
Mr. Hesham Abdulla Al Qassim	3	2	√	√
Mr. Buti Obaid Buti Al Mulla	4	None	√	√
H.E. Mohamed Hadi Ahmed Al Hussaini	2	None	√	√
Mr. Salem Mohammed Obaidalla	5	None	√	√
Mr. Ali Humaid Ali Al Owais	2	None	√	√
H.E. Huda Sayed Naim AlHashimi	2	None	√	√
Mr. Shayne Keith Nelson	1	2	√	√

*Including Emirates Islamic
**Including Emirates NBD Group Subsidiaries

Risk Management and Internal Controls

Emirates Islamic operates within an overarching risk governance framework established by the Group. Emirates Islamic has established an overarching risk management framework. Risk is managed proactively within Emirates Islamic through various well-established principles, standards, policies, organisational structures, approval authorities and measurement, monitoring and control processes.

The risk management framework enables the Bank to identify, measure, monitor, mitigate and report key risks. Key risk types are categorised into "financial risks" and "non-financial risks". Whilst financial risks are driven by events in the financial markets, non-financial risks are driven by other market-related events.

The Bank operates a three lines of defence risk management model, which incorporates the segregation of responsibility, controls, monitoring and reporting as appropriate for a bank of its size, nature and regulatory environment:

- Business units (Relationship & Product Management) make up the first line of defence. They originate risk and are responsible and accountable for ongoing management of such risks. This includes direct assessment, control and mitigation of risks.
- The second line of defence includes the Risk Management, Finance, HR, Legal, Operations, Technology and Compliance functions. These functions complement the risk activities of the business lines through their monitoring and reporting responsibilities. They are responsible for overseeing the Bank's risk-taking activities and assessing risks and issues independently from the business lines. These functions promote the importance of the role of Senior Management and business line managers in identifying and documenting risk owners as part of the New Product and Process Approval and Assessment process. A risk owner may or may not sit with the Bank's Risk function.
- The third line of defence consists of an independent and effective Internal Audit function. They provide independent review and objective assurance on the quality and effectiveness of the Bank's internal control system and its first and second lines of defence.

Emirates Islamic faces a broad range of risks, and the key risks are included in the Bank's Risk Appetite Statement with appropriate thresholds. The Bank's approved Risk Appetite Statement is a critical component of the risk management framework, establishing the boundaries to ensure Emirates Islamic operates within acceptable levels of risk and maintains compliance with its obligations and commitments. The Board is also supported by a prudent internal control framework, which provides assurance on the financial and non-financial operations of Emirates Islamic, including internal and external audits.

The internal control system is designed to follow a multi-tiered approach and is implemented at various governance levels throughout Emirates Islamic. The internal control system relies on accountability, delegation and collaboration within the various departments and business functions, encouraging the alignment of objectives, resources and the mechanisms deployed. It is based on the clear identification of best practice governance standards and responsibilities; appropriate policies and procedures are implemented to serve each department and business unit across the Bank. Functions that contribute to the internal control system include the Internal Audit and External Audit, Credit Risk, Compliance, Finance, Legal, Operations, Technology, HR and Corporate Governance functions.

The Internal Audit, Compliance, and Risk functions report on a quarterly basis to the Board Committees, including the BAC and BRC. Both the BAC and BRC report any significant matters, as and when required, to the Board.

- The BRC sets the overall risk strategy and approves risk-related frameworks. It reviews risk exposures, risk profiles and risk concentration reports on a regular basis, through quarterly risk monitoring supported by the Risk Management Department. The BRC has oversight of the establishment and operation of risk management systems and receives regular updates on their effectiveness.
- The BAC plays a key role in assessing and assuring the quality and integrity of the Bank's disclosures, financial statements, financial reporting and compliance to regulatory requirements. The BAC reviews effectiveness of the Bank's internal controls and corporate governance environment, and provides oversight of the Internal, External Audit and Compliance functions, in addition to Internal Shariah Audit and Internal Shariah Control in coordination with the Bank's Internal Shariah Supervision Committee.
  The BNRESGC oversees incentives and other emoluments, which includes consideration of the risk structures for appropriate corporate performance, risk taking and responsibility, and corporate culture.

A separate independent Committee, the Internal Shariah Supervision Committee, whose members are appointed by shareholders at the GAM upon nomination by the Board and approval by the CBUAE HSA, considers Shariah risks and controls.

More details on these Committees are included in later sections of this report.

Board of Directors' Remuneration

Board of Directors' Remuneration

The Directors' Remuneration Policy is consistent with Emirates Islamic's culture, control environment and long-term objectives. The BNRESGC reviews and makes annual recommendations to the Board on the form and amount of Directors' remuneration, taking into consideration the amount of time they give to Emirates Islamic, as well as the extent and complexity of their responsibilities, including serving on Board Committees. Committee Members were paid an allowance of AED 20,000 for each meeting they attended in 2023. The amount of Directors' remuneration is recommended to shareholders by the Board.

The following table sets out the total Board fees paid to each of the Emirates Islamic Board Directors during the year ended 31 December 2023:

Board Member	Role	Remuneration paid in 2023 (AED)
Mr. Hesham Abdulla Al Qassim	Chairman	2,000,000
Mr. Buti Obaid Buti Al Mulla	Vice Chairman	1,000,000
H.E. Mohamed Hadi Ahmed Al Hussaini	Director	1,000,000
Mr. Salem Mohammed Obaidalla	Director	1,000,000
Mr. Ali Humaid Ali Al Owais	Director	1,000,000
H.E. Huda Sayed Naim AlHashimi	Director	1,000,000
Mr. Shayne Keith Nelson	Director	Nil

A collective total of AED 7 million for the Board Directors was approved by shareholders for each of the 2021 and 2022 financial years. It is proposed that the same level of remuneration of AED 7 million for the 2023 financial year be recommended for approval by the shareholders at the 2024 General Assembly Meeting.

Mr. Salem Mohammed Obaidalla

Board Audit Committee ("BAC")

Remit

The responsibilities of the BAC include providing oversight of:

- the qualifications, independence and performance of the Bank's external auditors;
- the qualifications, independence and performance of the Bank's Internal Audit, Compliance, Internal Shariah Audit and Internal Shariah Control departments;
- the Bank's internal control system to ensure it adequately covers the conduct of the Bank's business, taking into account the Bank's internal controls over financial reporting and disclosure;
- the adequacy and effectiveness of the corporate governance environment; and
- the Bank's compliance with applicable legal and regulatory requirements (including Shariah regulations), and with the Bank's policies (unless specifically delegated to other Board Committees).

Statement from the Chairman of BAC

In 2023, four meetings were held by the BAC during which it reviewed the Bank's financial results for the year ended 2022 and quarterly financial results for 2023, and provided oversight over internal audit, governance, compliance, internal Shariah audit and internal Shariah control-related matters.

The BAC reviewed the External Auditor's report on annual and quarterly financials and ensured that the Internal Audit risk-based Plan for 2023 focused on key risk areas, assuring that Emirates Islamic's internal governance and controls remained robust. The BAC continually reviewed the progress of significant issues raised by Internal Audit and Financial Audit Authority ("FAA"). It also focused on controls established to address actual and potential frauds.

The BAC received, from the Emirates Islamic Chief Compliance Officer, status updates on the progress of the Bank's implementation of key regulatory changes as required, as well as updates on the Bank's activities in relation to monitoring and managing financial crime risks, including money laundering, terrorist financing, sanctions and proliferation financing risks. The BAC also reviewed/approved the Compliance Monitoring Plan and Gifts and Hospitality Register.

Further, the BAC received joint regular updates from Compliance and Audit management on the CBUAE's baseline examinations and findings, and reviewed and approved proposed closed actions and extension in due dates respectively.

During the year, the BAC also updated its terms of reference to align to regulatory requirements and best practices.

The Committee's schedule in 2024 will include a minimum of four meetings focusing on, amongst other things, the integrity of Emirates Islamic's financial statements, IFRS 9 governance practices, emerging risks, assessment and oversight of the Bank's activities and performance of Internal Audit, Internal Shariah Audit, and Compliance departments, as well as the performance of the External Auditor.

The BAC will also ensure that Emirates Islamic's Internal Audit Plan mirrors emerging risks and provides the necessary assurance in the current evolving economic and operational environment.

Committee Composition

The BAC Chairman and Members have been appointed by the Board, after duly considering the recommendations of the BNRESGC. The BAC composition is compliant with the CBUAE regulatory requirements, which require three ("3") Non-Executive Directors, including an Independent Chair distinct from the Chair of Board and other Committees, who collectively have experience in audit practices, financial reporting, accounting and compliance.

Mr. Salem Mohammed Obaidalla
Chairman
Independent Non-Executive Director

Mr. Ali Humaid Ali Al Owais
Member
Independent Non-Executive Director

Mr. Shayne Keith Nelson
Member
Non-Independent Non-Executive Director

As Chairman of the BAC, I hereby acknowledge my responsibility to discharge the responsibilities of the BAC under its terms of reference and ensure its effectiveness.

Mr. Salem Mohammed Obaidalla
Chairman, Board Audit Committee

BAC Meetings in 2023

Date of Meeting	Key Agenda Items	Number of Attendees
25 January 2023	• Review of Bank financial results for the year ended 2022 and external auditor's report • Review of internal audit and internal Shariah Audit plan for 2023 • Review of updates on CBUAE examiner's report • Review internal audit, compliance, Shariah and governance related matters	3/3
26 April 2023	• Review of Bank financial results for Q1 2023 and external auditor's review report • Review of updates on CBUAE examiner's reports • Review internal audit, compliance, Shariah and governance-related matters	3/3
26 July 2023	• Review of Bank financial results for Q2 2023 and external auditor's review report • Review of updates on CBUAE examiner's reports • Review internal audit, compliance, Shariah and governance-related matters	3/3
25 October 2023	• Review of Bank financial results for Q3 2023 and external auditor's review report • Update of BAC terms of reference • Review internal audit, compliance and governance-related matters	3/3

Mr. Ali Humaid Ali Al Owais

Board Risk Committee ("BRC")

Remit

The BRC provides oversight of risk management, as part of its responsibility to advise the Board on the overall risk strategy, risk appetite and risk tolerance of the Bank.

The scope of risks covered by the BRC includes, but is not limited to: Credit Risk, Market Risk, Asset-Liability Risk, Capital Risk, Operational Risk, Conduct Risk (ensuring compliance with the Consumer Protection Regulation & Standards from the CBUAE), Reputational Risk, Compliance/Financial Crime Risk, Legal Risk, Strategic Risk, Shariah Risk, Model Risk and Environmental and Social Risk. The BRC also has oversight of the Internal Capital Adequacy Assessment Process ("ICAAP") and stress testing process to ensure that the Bank's level of capital is sufficient to meet regulatory thresholds and support its strategy even in a challenging environment.

The primary responsibilities of the BRC include overseeing:

- alignment of the Bank's strategic objectives with its risk profile and risk appetite;
- development and implementation of the Bank's risk management framework and adequate policies, procedures, processes, systems and controls;
- management of risk measurement and pricing models, tools and monitoring of the effectiveness of such tools;
- maintaining effective governance and oversight of the management of conduct and compliance risks;
- compliance with regulatory requirements relating to risk management;
- the Bank's public reporting on risk management matters; and
- the independence and effectiveness of the risk management departments throughout the Bank.

Statement from the Chairman of BRC

During 2023, the BRC held four meetings, during which it discharged its duties in accordance and in compliance with the BRC's terms of reference. During the year, the BRC:

- ensured that the Bank had a comprehensive risk management framework and risk appetite statement to manage these risks, and ensured adherence to the same.
- received, from the Emirates Islamic Chief Compliance Officer, status updates on the progress of the Bank's implementation of key regulatory changes as required, as well as updates on the Bank's activities in relation to monitoring and managing financial crime risks, including money laundering, terrorist financing, sanctions and proliferation financing risks.
- reviewed the establishment of a comprehensive Consumer Protection framework to manage conduct risks.
- provided effective oversight of the Internal Capital Adequacy Assessment Process ICAAP and stress testing process to ensure that the Bank's level of capital is sufficient to meet regulatory thresholds and support its strategy even in a challenging environment.
- provided oversight of climate risk management, which is fast-evolving, and regulatory and compliance risks, including the financial crime risk assessment, in line with regulatory requirements.
- provided oversight of the Bank's Risk, Credit and other policies to ensure regulatory compliance and effective implementation.
- reviewed a wide number of other matters, including top and emerging risks, customer experience and ratings, and outsourcing arrangements of the Bank.

Looking into 2024, the BRC will continue to focus on Emirates Islamic's risk governance framework and risk appetite. The BRC will also keep its top and emerging risks under continual review, in the context of a fast-evolving global and regional geopolitical environment and market conditions. The BRC will also continue to ensure that its risk governance framework remains robust and effective in the context of the Bank's operating environment and strategy, duly aligned with changing market conditions, regulatory requirements, and the nature, size and complexity of Emirates Islamic.

Committee Composition

The BRC Chairman and Members have been appointed by the Board, after duly considering the recommendations of the BNRESGC. The BRC composition is compliant with the CBUAE regulatory requirements, which require three ("3") Non-Executive Directors, including majority Independent Members and an Independent Chairman distinct from the Chair of the Board and any other Committees. The Members collectively have experience in risk management issues and practices.

Mr. Ali Humaid Ali Al Owais
Chairman
Independent Non-Executive Director

Mr. Hesham Abdulla Al Qassim
Member
Non-Independent Non-Executive Director

Mr. Salem Mohammed Ibrahim Obaidalla
Member
Independent Non-Executive Director

In 2024, the BRC is scheduled to meet at least four times to fulfil its responsibilities and escalate key matters to the Board.

As Chairman of the BRC, I hereby acknowledge my duty to discharge the responsibilities of the BRC under its terms of reference and ensure its effectiveness.

Mr. Ali Humaid Ali Al Owais
Chairman, Board Risk Committee

BRC Meetings in 2023

Date of Meeting	Key Agenda Items	Number of Attendees
15 February 2023	• Bank's risk appetite statement and monitoring report • Review of consumer protection framework • Material outsourcing arrangements • Compliance reports • Key emerging risk trends • Regulatory reports and updates • Portfolio updates • Review of policies • Liquidity risk updates	3/3
17 May 2023	• Regulatory reports and updates • Bank's risk appetite monitoring report • Key emerging risk trends • Policies and terms of reference • Compliance reports • Portfolio updates • Liquidity risk updates • Bank ICAAP report • Material outsourcing arrangements	3/3
13 September 2023	• Update of the BRC terms of reference • Policy updates • Regulatory reports and updates • Bank's risk appetite monitoring report • Compliance reports • Portfolio updates • Liquidity risk updates • Conduct risk management report	3/3
15 November 2023	• Regulatory reports and updates • Bank's risk appetite monitoring report • Key emerging risk trends • Policy updates • Compliance reports • Portfolio updates • Material outsourcing arrangements	3/3

Mr. Buti Obaid Buti Al Mulla

Board Nomination Remuneration and ESG Committee ("BNRESGC")

Remit

The primary responsibilities of the BNRESGC include overseeing:

- matters relating to the Board, including the composition, nomination, assessment, succession plans and remuneration policies for the Directors;
- the Board induction plan and Board awareness programme;
- reporting on corporate governance and remuneration matters, and the development of the Corporate Governance Framework, systems and controls;
- ESG and corporate sustainability strategy;
- corporate culture and values, including the Bank's governance culture;
- selection, assessment, succession and remuneration policies for Senior Management;
- HR strategy including Emiratisation and talent acquisition strategies and workforce diversity and retention;
- independence of Directors and that Independent Directors remain independent on a continuing basis; and
- workforce planning and alignment with goals and strategies.

Statement from the Chairman of BNRESGC

During 2023, the BNRESGC held four meetings and discharged its duties in accordance and in compliance with its terms of reference. During the year, key items conducted by the BNRESGC included:

- assessing the effectiveness of the Bank's remuneration schemes (including variable remuneration) and deferrals to ensure they align with Emirates Islamic's strategy, objectives, culture, values and risk appetite.
- reviewing enhancements to the Corporate Governance Framework of the Bank by way of updating BNRESGC terms of reference to comply with regulatory requirements and best practices, establishing Directors' Appointment Letters and reviewing an internal evaluation process for the Board, Committees and Members and its outcome.
- providing oversight of the Bank's ESG framework and review of the ESG policies and disclosures.
- reviewing the organisational structure of the Bank, including the appointment of the Chief Executive Officer and the Chief Human Resource Officer.
- monitoring the performance and remuneration of Senior Management.
- reviewing the Emiratisation strategy of the Bank in line with the updated guidelines from the CBUAE, ensuring that its Emiratisation framework effectively develops UAE National talent and meets Emiratisation targets set by the CBUAE.
- monitoring the overall development of Emirates Islamic's culture to promote a healthy environment and employee engagement conducive to Emirates Islamic's success.

In 2024, the BNRESGC is scheduled to meet at least four times and will continue to prioritise the development of Emirates Islamic's Emiratisation strategy, focusing on improvements in recruitment, retention of Emirati talent, and diversity and inclusion, in order to ensure that Emirates Islamic remains an employer of choice.

The BNRESGC will also continue to oversee remuneration policies and processes to ensure they remain suitable for the Bank's talent pool and contribute to future success and progress, in accordance with regulatory requirements.

Committee Composition

The BNRESGC composition is compliant with the CBUAE regulatory requirements, which require three ("3") Non-Executive Directors, including two ("2") Independent Directors.

Mr. Buti Obaid Buti Al Mulla
Chairman
Non-Independent Non-Executive Director

Mr. Salem Mohammed Obaidalla
Member
Independent Non-Executive Director

Mr. Ali Humaid Ali Al Owais
Member
Independent Non-Executive Director

From an ESG perspective, the BNRESGC will continue to focus on areas to increase the Bank's ESG ratings and disclosures, in line with regulatory and market requirements, and will oversee the development of the sustainable finance framework.

As Chairman of the BNRESGC, I hereby acknowledge my duty to discharge the responsibilities of the BNRESGC under its terms of reference and ensure its effectiveness.

Mr. Buti Obaid Buti Al Mulla
Chairman, Board Nomination, Remuneration and ESG Committee

BNRESGC Meetings in 2023

Date of Meeting	Key Agenda Items	Number of Attendees
1 February 2023	• Senior Management pay and performance • 2022 Performance Bonus analysis • Emiratisation update • Remuneration Policy review (including deferred cash plan rules) • Review of Directors' appointment letters and evaluation forms • Consequence management framework • Roles classified as Material Risk Takers • Deferred plan rules • Workforce analysis	3/3
19 April 2023	• Update of BNRESGC terms of reference • Review of Board performance evaluation • Senior Management pay review • Emiratisation update • Remuneration policy review • Review of Annual Remuneration and sitting fees of Internal Shariah Supervision Committee ("ISSC") members • Workforce Analysis	3/3
12 July 2023	• Review of Bank organisational structure • Emiratisation update • Workforce Analysis	3/3
15 November 2023	• Appointment of CEO and Chief Human Resources Officer ("CHRO") • HR updates • ESG updates • Emiratisation update • Performance bonus model and alignment with regulations • Workforce analysis • Roles classified as Material Risk Takers	3/3

Mr. Hesham Abdulla Al Qassim

Board Credit and Investment Committee ("BCIC")

Remit

The primary responsibilities of the BCIC include overseeing:

- management of credit exposures and investment portfolio;
- effectiveness of the credit and investment risk strategy and policies;
- approval of new products and services, bank and country lines, credit facilities and investment and assets;
- review of credit risk rating alignment with business strategy and risk appetite;
- delegation of lending authority to management committees, credit and business approvers' and 'Credit Underwriting Standards'; and
- review of new products and services, credit underwriting standards, Bank and country lines to be included.

Statement from the Chairman of BCIC

During 2023, the BCIC held 46 meetings during which it reviewed and approved the following:

- the effectiveness of the credit and investment risk strategy and policies, and delegated lending authorities to Management Committees and credit and business approvers.
- the portfolio composition, portfolio quality, performance and compliance, including approval of high value credit exposures and policy exceptions.
- the underwriting and stick position for the Bank, any material breaches of risk limits and the adequacy of proposed actions.
- new products and services, bank and country lines, proposals for credit facilities, investments, asset management, financial restructuring and remedial unit, as per applicable Delegated Lending Authority ("DLA") framework.

During the year, the BCIC also updated its terms of reference to align to regulatory requirements. In 2024, the BCIC will continue to meet weekly to focus on Emirates Islamic's strategy and monitor the effectiveness of credit and investment and relevant policies. Specifically, the BCIC will:

- examine tactical and short-term efficiency measures pertaining to credit and investment portfolios, due to changes in the market conditions and cost optimisation, changes to operating models, and digitisation against the backdrop of changing market conditions.
- continue to track Emirates Islamic's implementation of its strategy and risk appetite.
- oversee applicable Emirates Islamic policies, approve and note bank and country lines, credit proposals, portfolio reports, DLA framework, and new products and services.

Committee Composition

Mr. Hesham Abdulla Al Qassim
Chairman
Non-Independent Non-Executive Director

H.E. Mohamed Hadi Ahmed Al Hussaini
Member
Non-Independent Non-Executive Director

Mr. Salem Mohammed Obaidalla
Member
Independent Non-Executive Director

Mr. Shayne Keith Nelson
Member
Non-Independent Non-Executive Director

As Chairman of the BCIC, I hereby acknowledge my responsibility to discharge the responsibilities of the BCIC under its terms of reference and ensure its effectiveness.

Mr. Hesham Abdulla Al Qassim
Chairman, Board Credit and Investment Committee

BCIC Meetings held during 2023

Date of Meeting	Key Agenda Items
During 2023, 46 BCIC meetings were held. All meetings had a valid quorum.	• Credit facilities • Credit and investment policies • Business performance • Credit and investment risk strategy • Compliance with CBUAE and other relevant regulations • Review the portfolio composition, quality, performance and compliance

Mr. Hesham Abdulla Al Qassim

Board Profit Equalisation Committee (“BPEC”)

Remit

The primary responsibilities of the BPEC include overseeing:

- policies and strategies for Islamic investments, and strategies for the management of displaced commercial risk;
- regular reviews of the Islamic investment policies and the performance of the asset portfolio in which Islamic account holders’ funds are invested;
- monitoring and scrutiny of the utilisation of reserves such as Profit Equalisation Reserve (“PER”) and Investment Risk Reserve (“IRR”) and to make appropriate recommendations to the Board; and
- the implementation of the governance policy framework, with the primary objective of protecting the interests of stakeholders, in line with the HSA and ISSC resolutions.

Committee Composition

Mr. Hesham Abdulla Al Qassim
Chairman
Non-Independent Non-Executive Director

Mr. Buti Obaid Buti Al Mulla
Member
Non-Independent Non-Executive Director

Dr. Salim Al Ali
External member – CB Shariah
ISSC representative

Statement from the Chairman of BPEC

During 2023, the BPEC met four times and continued its work in line with its terms of reference, with the primary objective of protecting the interests of stakeholders, other than the shareholders, in line with the Higher Shariah Authority and Internal Shariah Supervision Committee resolutions. Key matters reviewed by the BPEC during 2023 included, amongst other things:

- policies and strategies of the investments and strategies for the management of displaced commercial risk.
- investment policies and the performance of the asset portfolio in which investment account holders’ funds are invested.
- utilisation of reserves such as Profit Equalisation Reserve (PER) and Investment Risk Reserve (IRR), scrutinising the same and making appropriate recommendations to the Board.
- ensured rigorous and diligent oversight policy, processes, and procedures over (i) the financing and investment activities undertaken by the Bank using investment account holders’ funds; and (ii) the fiduciary duties performed by the Bank.
- the level of reserve allocation, ensuring that it was appropriate and fair to both existing and new investment account holders.
- disclosures made by the Bank regarding its asset allocation and investment strategies in respect of investment accounts, in order to monitor closely the performance of the Bank as managers of such accounts.
- approval of key items relating to compliance with a regulatory requirement on profit equalisation.

The BPEC regularly updated the Board on the work completed by the BPEC, kept its membership under review and conducted an assessment of the effectiveness of the BPEC during the year.

During 2024, the BPEC will continue its work in line with its terms of reference and all relevant regulatory requirements.

As Chairman of the BPEC, I hereby acknowledge my responsibility to discharge the responsibilities of the BPEC under its terms of reference and ensure its effectiveness.

Mr. Hesham Abdulla Al Qassim
Chairman, Board Profit Equalisation Committee

BPEC Meetings in 2023

Date of Meeting	Key Agenda Items	Number of Attendees
February 15 2023	• Commercial risk review and reserves updates • Investment policies and strategies review • Regulatory reports updates for compliance with regulatory requirement on profit equalisation • Committee terms of reference and policies updates • Profit distribution updates	3/3
May 17 2023	• Commercial risk review and reserves updates • Profit distribution updates	3/3
September 13 2023	• Commercial risk review and reserves updates • Profit distribution updates	3/3
November 15 2023	• Displaced commercial risk review and reserves recommendation	3/3

Board Committee Meetings

Board Committee Meetings Attendance During the Year Ended 31 December 2023

Member Name	Board Audit Committee 4 Scheduled Meetings	Board Risk Committee 4 Scheduled Meetings	Board Nomination, Remuneration and ESG Committee 4 Scheduled Meetings	Board Credit and Investment Committee 46 Scheduled Meetings	Board Profit Equalisation Committee 4 Scheduled Meetings
Mr. Hesham Abdulla Al Qassim	NA	M(4/4)	NA	C(46/46)	C(4/4)
Mr. Buti Obaid Buti Al Mulla	NA	NA	C(4/4)	N/A	M(4/4)
H.E. Mohamed Hadi Ahmed Al Hussaini	NA	NA	NA	M(46/46)	N/A
Mr. Ali Humaid Ali Al Owais	M(4/4)	C(4/4)	M(4/4)	N/A	N/A
Mr. Salem Mohammed Obaidalla	C(4/4)	M(4/4)	M(4/4)	M(46/46)	N/A
H.E. Huda Sayed Naim AlHashimi	NA	NA	NA	N/A	N/A
Mr. Shayne Keith Nelson	M(4/4)	NA	NA	M(46/46)	N/A
Dr. Salim Al Ali – ISSC Representative	NA	NA	NA	N/A	M(4/4)

Note: C=Chair and M=Member. The figure in brackets represents number of meetings attended.
As highlighted above, Committee Members were paid an allowance of AED 20,000 for each meeting they attended in 2023.

Diversity in Senior Management

Gender

Male	Female
10	2

Tenure

< less than 3 years	17%
3-5 years	8%
5-7 years	8%
7+ years	67%

Nationality

UAE	58%
Indian	8%
Other	34%

Senior Management Compensation

Our remuneration policy and structures are designed to attract, retain and motivate talented employees. An appropriate balance between fixed and variable remuneration is maintained.

Emirates Islamic operates a discretionary annual bonus scheme for eligible employees. Bonus pool funding is determined at a Bank level with due consideration of the Bank's risk appetite and the relative performance of business units. When assessing the performance of a business unit/ location, performance assessment is based on both financial and non-financial criteria. The discretionary annual bonus scheme is fully flexible, allowing for the possibility of variable compensation award values being zero.

Variable pay levels will not exceed 100% of fixed compensation unless, in certain circumstances, Emirates Islamic seeks to increase these levels to either 150% of fixed compensation – with approval by the Board or 200% of fixed compensation – with approval by the General Assembly of the Bank.

Awards granted under the discretionary annual bonus scheme comprise cash bonuses, paid after the end of the performance year, and deferred awards, granted under the terms and conditions of the relevant plan rules. Deferred awards will vest in tranches over multi-year periods and are subject to performance adjustment, forfeiture, malus and clawback under certain events and conditions.

Variable compensation awards are subject to ex-post risk adjustment in the form of in-year adjustments, as part of the year-end compensation process, after vesting, or after the awards have been paid out.

The applicable claw back period shall be the later of three years after the date of payment or the date of vesting of the relevant award. Ex-post risk adjustment may be applied on an individual or a collective basis, depending on the circumstances of the event and in a range of circumstances, including but not limited to, material restatement or downturn of financial results for the relevant period, fraud or gross negligence by an individual or group of employees, material error or failures of risk management controls.

For the year 2023, total remuneration for Senior Management amounted to AED 32 million. Total remuneration is comprised of fixed pay (including employer pension contributions and accrued post employment benefits) and variable compensation awarded in the year 2023.

For further details of remuneration policy, and the design and structure of remuneration processes, please refer to the PILLAR 3 report.

Management Committees

Emirates Islamic has several Management Committees, including the EXCO. A number of additional Management Committees have been established to help execute the objectives of the Bank, and assist in the efficiency and effectiveness of running, controlling and monitoring of the business of Emirates Islamic.

Each Management Committee has an approved terms of reference that outlines its authority, responsibilities, meeting frequency and practices. The Bank's Management Committees help drive decision making across a number of areas of the business, including the management of assets, risk, credit and investment, procurement and information security.

Executive Committee EXCO	Management Committee	Number of Meetings Held in 2023	Responsibilities of the Committees
The key responsibilities of EXCO include the following: • Manages the Bank's activities in a manner consistent with the business strategy, risk appetite, remuneration and other policies set by the Board. • Periodically updates on all material matters including changes in business strategy and risk appetite, the Bank's performance and financial condition, breaches of risk limits or compliance rules, internal control failures, legal or regulatory concerns. 12 EXCO meetings were held during 2023.	Management Investment Committee (MIC)	4	Ensures the Bank's investment portfolios conform to the strategic vision of the Bank and monitors and reports the performance of these portfolios to the Board. It also recommends BCIC on investment strategies.
	Management Credit Committee (MCC)	50	Manages credit and bank risk facilities, settlement, provisioning and write offs, amendments to pricing, risk grades and waivers pertaining to credit facilities. It also reviews new products and services and property investments.
	Asset Liability Committee (ALCO)	11	Oversees the Bank's capital adequacy assessment, reviewing liquidity tolerance and profit rate risk mismatches, and managing maturity gaps and funding plans.
	Operational Risk Committee (ORC)	4	Ensures the effective application of the operational risk management framework across Emirates Islamic.

General Assembly Meeting

The 2023 GAM was chaired by the Chairman of the Emirates Islamic Board. The Director, the external auditor, a representative of the SCA and shareholders were in attendance (in-person and online). The meeting minutes were taken by the Group Company Secretary and the GAM resolutions were made available to the SCA and shareholders through a market announcement before opening of the next market trading day.

During the 2023 GAM, the business of the meeting included several standard GAM items subject to ordinary resolution (being a simple majority of the eligible votes) and a number of matters that required special resolutions of 75% of the eligible votes. All the resolutions tabled for approval were duly approved at the 2023 GAM. A summary of resolutions tabled and passed (approved) by the shareholders is set out in the following table:

Matter tabled for approval at the 2023 GAM	Resolution Type
Financial Statements and Directors' Report To approve the report of the Board of Directors ("the Board") on the Bank's activities and the financial statements for the year ended 31 December 2022.	Ordinary
Report of the External Auditor To approve the report of the external auditor of the Bank for the year ended 31 December 2022.	Ordinary
Internal Shariah Supervision Committee Report To approve the report of the Internal Shariah Supervision Committee for the year ended 31 December 2022.	Ordinary
Balance Sheet and Profit and Loss Account To approve the audited balance sheet and the profit and loss account of the Bank for the year ended 31 December 2022.	Ordinary
Staff Bonus To approve the Bank's staff bonus for the year ended 31 December 2022.	Ordinary
Board Remuneration To approve the remuneration of the Board for the year ended 31 December 2022.	Ordinary
Dividend To approve the recommendation of the Board not to pay a dividend to the shareholders of the Bank for the year ended 31 December 2022, based on the justifications presented by the Board in its report to the shareholders.	Ordinary
Absolving the Board To absolve members of the Board from liability for their work during the year ended 31 December 2022.	Ordinary
Release, Dismiss or File Liability Claims Against Auditor, as the Case May Be To absolve the external auditor from liability for work conducted during the year ended 31 December 2022.	Ordinary
Appointment of the External Auditor To approve the appointment of the external auditor for the year 2023 and to determine the fees for the same year.	Ordinary
Approval of the Proposals for Non-Convertible Securities Programmes To approve the Board's proposals with respect to non-convertible securities to be issued by the Bank subject to obtaining the necessary approvals from the relevant regulatory authorities.	Special
Amendment of the Memorandum and Articles of Association of Emirates Islamic To approve the amendment of the Bank's Memorandum and Articles of Association in accordance with Decree No. 32 of 2021 and the regulations and legislation issued by the United Arab Emirates Central Bank and Securities and Commodities Authority without limitation.	Special
Zakat Payment To approve the amendment of the Bank's Articles of Association in relation to calculation and payment of Zakat on behalf of its shareholders.	Special
Authority to the Board To authorise the Board of Directors of the Bank, and/or any person so authorised by the Board of Directors, to adopt any resolution or take any action as may be necessary to implement the ordinary and Special Resolutions to be adopted by the general assembly in this meeting.	Special

External Auditor

Selection of the External Auditor

The External Auditor appointed by shareholders in the 2023 GAM for the 2023 financial year is Deloitte & Touche (M.E). Deloitte & Touche (M.E) has served for five consecutive years as the External Auditor of Emirates Islamic. The Audit Partner at Deloitte & Touche (M.E) in charge of the external audit rotated after three years. External audit firms may only be appointed for a maximum of six consecutive years.

In addition to the key responsibilities of the BAC referred to above, the BAC also reviews and approves the external audit approach, to include the evaluation, independent appointment or reappointment, and terms of engagement and rotation of the auditing firm and/or the principal partner in charge of the audit. The selection criteria include ensuring capacity of the audit firm to manage the audit effectively and competently, taking into account the scale and complexity of Emirates Islamic, as well as ensuring independence, no conflicts of interest, and a strong and capable audit partner and team.

The BAC also reviews the audit scope and approach for the year proposed by the external auditor. The BAC communicates with the external audit team on a number of occasions during the year, without the presence of any of the Senior Management, to discuss periodic and annual reporting, audit findings, changes in accounting and reporting standards, and other necessary business. The BAC reviews the performance, independence and quality of the external auditor annually, including any regulatory conditions and thresholds on independence, rotation, and qualifications of the audit firm and its staff.

Name of the Audit Office and Partner Auditor	Deloitte & Touche (M.E.) Mr. Ali Abdul Aziz
Number of consecutive years served by partner auditor	2 years
Total fees for auditing Emirates Islamic's consolidated financial statements for 2023	AED 0.7 million
Fee for any non-audit services	NIL

Fees

The BAC approves the fee for in scope external audit services at the beginning of each year. The scope of services includes audit services, audit-related services and any other relevant services. The BAC may approve additional fees for the services of external auditors that may arise throughout the year or where the fee exceeds the prior approved amount.

Special (Non-Audit) Services

There were no special (non-audit) services provided by the external auditor during 2023, and accordingly, no fee was rendered for non-audit services.

2023 Audit

No reservations were raised by the external auditor with respect to the year ended 31 December 2023.

Islamic Banking

Emirates Islamic offers Shariah-compliant products and services, as an Islamic Bank licensed by the CBUAE. Emirates Islamic applies a robust Shariah governance mechanism to ensure that all products and services are duly accredited and in line with Shariah principles and CBUAE Higher Shariah Authority ("HSA") guidelines and regulations.

In line with the CBUAE Shariah Governance Framework, Emirates Islamic has a three lines of defence approach: the business units, the Internal Shariah Control Department, and the Internal Shariah Audit Department, respectively. These lines of defence support Emirates Islamic's Shariah governance activities, oversight and reporting. The overall Bank is governed by the ISSC, comprised of independent Shariah scholars.

The shareholders appoint Members of the ISSC shareholders at the General Assembly Meeting, upon nomination by the Board and approval from the HSA of the CBUAE. Emirates Islamic has well-established policies, procedures and controls that the ISSC approves and facilitates business activities in a manner compliant with Shariah principles.

The ISSC operates following the resolutions, standards and guidelines issued by the HSA of the CBUAE and undertakes supervision of all Shariah-compliant businesses, activities, products and services. The ISSC has approved the Shariah governance framework for referring matters to the ISSC, issuing fatwas, and ensuring compliance with Shariah in all objectives, activities and operations. The fatwas and resolutions issued by ISSC are binding upon Emirates Islamic.

The ISSC issues a yearly report on its activities, including assurance that Emirates Islamic complies with Shariah principles and outlining any instances of non-compliance. in addition, the Bank submits the report to the HSA of the CBUAE for no objection before presenting it to the Bank's shareholders at its GAM. During the year 2023, seven meetings were held.

The current Members of the ISSC are as follows:

Prof. Mohammad Abdul Rahim Sultan Al Olama

Chairman and Executive Member of EI ISSC
(reappointed 6 May 2021)

Prof. Mohammad Abdul Rahim Sultan Al Olama is a professor of jurisprudence and its fundamentals at the College of Law at the United Arab Emirates University in Al Ain, in addition to being a certified expert in financial affairs concerning compliance with Islamic Shariah principles. Notably, he:

- Leads the Shariah committee at the Zakat Fund in the United Arab Emirates.
- Is a member of a number of Fatwa and Shariah Supervisory Boards for Islamic financial institutions and Takaful companies.
- Holds a PhD in Comparative Islamic Jurisprudence from Umm Al-Qura University in Makkah Al-Mukarramah, in the Kingdom of Saudi Arabia.

H.E. Essam Mohamed Eshaq

Deputy Chairman of EI ISSC
(reappointed 30 March 2021)

H.E. Essam Mohamed Eshaq is a member of the HSA of the Central Bank.

- He serves as the Deputy Chairman of the Governance and Ethics Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and as a Member of the Supreme Council for Islamic Affairs in the Kingdom of Bahrain.
- He is the Chairman and member of the Shariah board and committees of several Islamic banks and institutions including Abu Dhabi Islamic Bank P.J.S.C. (UAE).
- He holds a Bachelor's Degree in Political Science from McGill University (Canada).

Dr. Salim Ali Al Ali
(appointed 13 August 2020)
Dr. Salim Ali Al Ali is an assistant professor at the Department of Shariah and Islamic Studies at the College of Law at the United Arab Emirates University, where he teaches a spectrum of courses related to Islamic law and Islamic banking. He is a member of the internal Shariah Supervisory Committee for a number of institutions offering Islamic financial services; and:

- Served as a part-time lecturer for the LLM programme at the BPP Law School, BPP University, based in London, where he lectured on a broad spectrum of jurisprudence matters, including Islamic, English, and comparative laws.
- Is an author of a book titled "Raising Capital on Sukuk Markets: Structural, Legal and Regulatory Issues".
- Was educated in the United Kingdom, where he received his PhD in Financial Law from the University of London.
- Holds a Bachelor's Degree in Shariah (Jurisprudence and its Fundamentals) and a Master's Degree in Islamic Banking and Finance.

Dr. Mohamed Ali Elgari
(appointed 01 June 2021)
Dr. Elgari holds the distinction of being a former Professor of Islamic Economics at King Abdulaziz University, Jeddah, Saudi Arabia, and Former Director of the Center for Research in Islamic Economics at the same university. He is an Expert at the Islamic Jurisprudence Academy of the Organisation of Islamic Cooperation (''OIC'') and the Islamic Jurisprudence Academy of the Islamic World League and is:

- A member of the Board of Trustees of AAOFI as well as their Shariah Council.
- Chairman and Member of numerous Shariah Boards of Islamic banks and Takaful companies worldwide.
- An author of several books in Islamic finance and has published tens of articles on the subject, both in Arabic and English. Dr. Elgari holds a PhD from the University of California.

Dr. Amin Fateh
(appointed 1 June 2021)
Dr. Fateh holds a Bachelor's Degree and Master's Degree in Honourable Hadith, and a PhD in Islamic studies. He has been involved in the Islamic Banking industry since 1988 and:

- Is a member of the internal Shariah Supervisory Committee for a number of institutions offering Islamic financial services.
- Has lectured in many universities and is a bilingual Islamic Finance trainer, providing many Islamic Finance training courses across the world.

Violations, Causes and Avoidance

Emirates Islamic maintains a process to ensure effective compliance with relevant regulations and to report any violations or matters of significance. During 2023, there were no material violations identified or reported. All material issues were identified and reported to the Board and/or Board Committees by the Emirates Islamic Head of Internal Audit, Chief Compliance Officer and/or Chief Risk Officer. No reservations were noted by the external auditor for the 2023 financial year.

Statement of Cash and In-Kind Contributions to Local Community and Preserving Environment

Emirates Islamic operates under the principle of 'Creating Shared Value', a robust framework that underscores our dedication to surrounding communities. The Bank takes responsibility for improving the social and environmental conditions of its neighbourhoods and aims to enrich the lives of the people who live and work in the communities where it operates.

Philanthropy plays a vital part of Emirates Islamic's strategy, symbolising the Bank's commitment to redistributing its success to the UAE's citizens and the broader community. The Bank's philanthropic spirit serves to solidify its position as a socially responsible entity, reaffirm its dedication to growing together with its surroundings, and fulfil its public duties. Emirates Islamic's progress in these sectors is documented for transparency and further information is in the Bank's ESG Report 2023.

Emiratisation

We offer Emiratis accelerated career opportunities, world-class professional development, and the chance to directly support our nation's continued economic development through carefully curated career development programmes.

As at year-end 2023, we have 19 Emiratis employed in Senior Leadership positions across the Bank and a total of 635 Emirati employees in Emirates Islamic, who play critical roles across every level of the organisation.

	2021	2022	2023
% of Emiratis	36.4	37.3	35.4

Emirates Islamic aims to attract, develop, engage and retain Emirati talent at every level of our organisation.

Our flagship initiatives are designed to identify potential and provide the required training and support that our Emirati employees need to step into demanding leadership positions and help Emirates Islamic to build the future of the Bank and the UAE.

Investor Relations and Company Performance

The Investor Relations department is primarily responsible for dialogue and interaction with external stakeholders including shareholders, Sukukholders, rating agencies and the professional investment community. Investor Relations coordinates the release of the quarterly results to the public and updates stakeholders on performance and outlook.

Ms. Huda Sabil Abdulla is the Chief Financial Officer and Head of Investor Relations.
Email: Hudaab@emiratesislamic.ae
Phone: +97143834671
Website: www.emiratesislamic.ae/eng/financial-information/investor-presentations

The breakdown of shareholder types as at 31 December 2023 is set out in the following table:

Shareholder Classification	Percentage of Owned Shares			
	Individual	Companies	Government	Total
Local	0.03	99.97	0	100
Arab	0	0	0	0
Foreign	0	0	0	0
Total	0.03	99.97	0	100

The following table sets out a statement of the shareholders who held 5% or more of the Emirates Islamic's shares as at 31 December 2023:

Name	Number of Owned Shares	Percentage of Owned Shares of the Company's Capital
Emirates NBD (P.J.S.C.)	5,424,573,891	99.892%

The following table sets out a statement of shareholders distribution by the size of equity as at 31 December 2023:

Share Ownership	Number of Shareholders	Number of Owned Shares	Percentage of Owned Shares of the Company's Capital
Less than 50,000	46	329,388	0.006
From 50,000 to less than 500,000	5	713,728	0.013
From 500,000 to less than 5,000,000	2	4,804,868	0.089
5,000,000 or more	1	5,424,573,891	99.892

Total number of Emirates Islamic shares in issue = 5,430,421,875.

Emirates Islamic share price in the market (closing price, highest and lowest price) at the end of each month during 2023.

Month (2023)	Monthly High (AED)	Monthly Low (AED)	Monthly Close (AED)
January	No Trading	No Trading	7.49
February	No Trading	No Trading	7.49
March	No Trading	No Trading	7.49
April	No Trading	No Trading	7.49
May	7.3001	7.300	7.30
June	No Trading	No Trading	7.30
July	No Trading	No Trading	7.30
August	7.60	7.50	7.60
September	6.84	6.16	6.16
October	6.16	5.60	5.60
November	No Trading	No Trading	5.60
December	6.44	6.44	6.44

Emirates Islamic's comparative performance with general market during 2023.

Month (2023)	Emirates Islamic (AED)	DFMGI	Financials
January	7.49	3303.27	2336.18
February	7.49	3437.76	2489.72
March	7.49	3406.72	2330.57
April	7.49	3544.79	2486.88
May	7.30	3576.63	2491.38
June	7.30	3791.99	2623.58
July	7.30	4059.27	2830.14
August	7.60	4082.87	2806.39
September	6.16	4163.58	2873.74
October	5.60	3877.08	2725.04
November	5.60	3992.36	2793.62
December	6.44	4059.80	2823.68

Definitions

In this governance report, the following expressions shall have the following meanings:

EI / Emirates Islamic: Emirates Islamic Bank P.J.S.C.

Group: Emirates NBD Group and its subsidiaries.

Bank: Emirates Islamic Bank P.J.S.C.

ALCO: Asset Liability Committee

Board: Emirates Islamic Board of Directors, the governing body of the Bank

BAC: Board Audit Committee

BRC: Board Risk Committee

BCIC: Board Credit and Investment Committee

BNRESGC: Board Nomination Remuneration and ESG Committee

BPEC: Board Profit Equalisation Committee

CBUAE: Central Bank of the UAE

Corporate Governance Regulations: Includes the CBUAE Corporate Governance Regulation for Banks (Circular No.83/2019 dated July 18, 2019) and the SCA Chairman's Resolution No. 03/TM of 2020 Regarding the Approval of the Public Joint Stock Companies Governance Guide, in addition to other relevant laws, rules and regulations applicable to banking and listed companies on the DFM.

DFM: Dubai Financial Market

ESG: Environmental, Social and Corporate Governance

EXCO: Emirates Islamic Executive Committee

GAM: General Assembly Meeting

HSA: Higher Shariah Authority

ICAAP: Internal Capital Adequacy Assessment Process

ISSC: Internal Shariah Supervision Committee

MIC: Management Investment Committee

MCC: Management Credit Committee

ORC: Operational Risk Committee

P.J.S.C.: Public Joint Stock Company

POA: Power of Attorney

RPT: Related Party Transactions

SCA: Securities and Commodities Authority

Directors' Report

Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of Emirates Islamic Bank P.J.S.C. (the "Bank"/ "Emirates Islamic") and its subsidiaries (collectively known as "the Group") for the year ended 31 December 2023.

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

Basis of Preparation of Financial Statements

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

Financial Commentary

Emirates Islamic delivered its highest ever net profit of AED 2.12 billion in 2023, which represents an increase of 71% over 2022, mainly from higher funded and non-funded income.

Emirates Islamic continued to maintain healthy liquidity and strong capital ratios, enabling the Bank to grow Customer Financing by 11% during 2023, reflecting the improved economic activity.

Customer Deposits grew by 9% with Current Account and Savings Accounts registering 13% growth during the year.

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

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

During 2023, we successfully issued an AED 1 billion public Sukuk, the first in the UAE banking industry. This landmark three-year offering was oversubscribed 2.5 times highlighting the strength of the dirham Sukuk market and emphasizing confidence in the local currency market from global Shariah-compliant investors.

Emirates Islamic has one of the highest Emiratisation rates in the UAE banking sector, at 36% of total employees. Emirates Islamic saw an increase in women in leadership positions to 25% and signed the UAE Gender Balance Pledge to accelerate gender balance in the UAE private sector.

Driven by core Shariah principles, Emirates Islamic remains firmly committed to its charitable initiatives and contributed an amount of AED 50.5 million to a range of charitable initiatives in 2023 through the Emirates Islamic Charity Fund. The Emirates Islamic Charity Fund provides financial aid to those in need, with a focus on food, shelter, health, education and social welfare contributions.

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

Equity Holders Funds

Total Equity holders' funds as at the end of 2023 stands at AED 11,444 million (2022: AED 9,260 million).

Dividends

Emirates Islamic continued to make sustained growth during 2023 as a result of its planned growth strategy to be the leading Islamic Bank in the region, and the board of Emirates Islamic intends to continue this growth strategy. The retained profits will be used to fund this planned growth, whilst maintaining healthy capital ratios. No dividend is therefore proposed for the year ended 31 December 2023, to facilitate the growth strategy.

Proposed Appropriations

The Directors propose the following appropriations from retained earnings:

	AED million
Retained earnings as at 01 January 2023	2,847.3
Group profit for the year	2,121.2
Other comprehensive income	(15.7)
Transfer to Legal and Statutory reserve	(212.1)
Retained earnings available for appropriation	4,740.7
(a) Directors' fees for the year 2023	(7.0)
(b) Zakat for the year 2023	(20.6)
Balance of retained earnings as at 31 December 2023	**4,713.1**

Attendance of Directors at Board/Board Committee meetings during 2023

The Board of Directors comprises of the following members:

Mr. Hesham Abdulla Qassim Al Qassim	Chairman
Mr. Buti Obaid Buti Al Mulla	Vice Chairman
H.E. Mohamed Hadi Ahmed Al Hussaini	Director
H.E. Huda Syed Naim Al Hashimi	Director
Mr. Salem Mohammed Ibrahim Obaidalla	Director
Mr. Ali Humaid Ali Al Owais	Director
Mr. Shayne Nelson	Director

Total Number of Board Meetings: 6

Board Audit Committee

Mr. Salem Mohammed Ibrahim Obaidalla	Chairman
Mr. Ali Humaid Ali Al Owais	Member
Mr. Shayne Nelson	Member

Total Number of Meetings: 4

Attendance of Directors at Board/Board Committee meetings during 2023 continued

Board Nomination & Remuneration Committee

Mr. Buti Obaid Buti Al Mulla	Chairman
Mr. Ali Humaid Ali Al Owais	Member
Mr. Salem Mohammed Ibrahim Obaidalla	Member

Total Number of Meetings: 4

Board Risk Committee

Mr. Ali Humaid Ali Al Owais	Chairman
Mr. Hesham Abdulla Qassim Al Qassim	Member
Mr. Salem Mohammed Ibrahim Obaidalla	Member

Total Number of Meetings: 4

Board Credit and Investment Committee

Mr. Hesham Abdulla Qassim Al Qassim	Chairman
HE. Mohamed Hadi Ahmad Al Hussaini	Member
Mr. Salem Mohammed Ibrahim Obaidalla	Member
Mr. Shayne Nelson	Member

Total Number of Meetings: 46

Board Profit and Equalization Committee

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

Total Number of Meetings: 4

Auditors:
Deloitte & Touche were appointed as auditors of the Group for 2023 financial year in the Annual General Meeting held on 22nd February 2023.

On behalf of the Board

Mr. Hesham Abdulla Al Qassim
Chairman

Dubai, UAE
24 January 2024

The Annual Shariah Report and the Zakat Notice

The Annual Shariah Report

Annual Report of the Internal Shariah Supervision Committee of Emirates Islamic Bank

Issued on: 15-01-2024

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

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

1 Responsibility of the ISSC

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

a. undertake Shariah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shariah resolutions in this regard, and
b. determine Shariah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shariah within the framework of the rules, principles, and standards set by the Higher Shariah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shariah.

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

2 Shariah Standards

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

3 Duties Fulfilled by the ISSC During the Financial Year

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

a. Convening (7) meetings during the year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
e. Supervision through the internal Shariah control division, and internal Shariah audit, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
f. Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shariah control division, and internal Shariah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
h. Specifying the amount of Zakat due on each share of the Institution.
i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shariah.

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

4. Independence of the ISSC

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

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

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

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

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

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

Due Zakat on Emirates Islamic Bank Shareholders for the year 2023

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

First Method

Zakat on shares purchased for trading purposes (for capital gain) is as follows:
- Zakat per share for trading purposes = Share quoted value x 2.5777%* – AED 0.0037994**
- Total Zakat payable on shares = Number of shares x Zakat per share for trading purposes

Second Method

Zakat on shares purchased for acquisition (to benefit from the annual return) is as follows:
- Total Zakat payable on shares held for annual return*** = Number of shares x AED 0.0037994

* Note: Zakat is calculated at 2.5777% of Zakat base for a simple Gregorian year, 2.585% for a leap Gregorian year and at 2.5% for Hijri year. The difference in Zakat percentage is due to difference in number of days in calendars

** Represents portion of a share's Zakat that the Bank has already paid.

*** The Bank has already paid total Zakat payable on shares held for annual return.

Signed version is available at the registered head office.

Financial Statements

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

Deloitte.

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Independent Auditor's Report
To the Shareholders of Emirates Islamic Bank P.J.S.C.

The Shareholders
Emirates Islamic Bank P.J.S.C.
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

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

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

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

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

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers	
The assessment of the Group's determination of impairment allowances for financing receivables to customers require management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality of the financing receivables to customers (representing 61% of total assets) and the complexity of the judgements, assumptions and estimates used in the ECL models. Refer to Note 6 to the consolidated financial statements for the accounting policy and Note 35 for the credit risk disclosure.	We gained an understanding of the financing receivables origination process, credit risk management process and the estimation process of determining impairment allowances for financing receivables to customers and tested the operating effectiveness of relevant controls within these processes. On a sample basis, we selected individual financing receivables and performed a detailed credit review and challenged the Group's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions underlying the impairment allowance calculation, such as estimated future cash flows, collateral valuations and estimates of recovery. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for financing receivables impairment allowances.

Akbar Ahmad (1141), Cynthia Corby (995), Faeza Sohawon (5508), Firas Anabtawi (5482), Georges Najem (809), Jazala Hamad (1267), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

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Independent Auditor's Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. continued

Key audit matter	How our audit addressed the key audit matter
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	
The material portion of the non-retail portfolio of financing receivables is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the Group's policies and the requirements of IFRS 9 Financial Instruments ("IFRS 9"). The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that models and its parameters (Probability of Default "PD", Loss given Default "LGD", Exposure at Default "EAD" and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process by an independent reviewer.	We evaluated key assumptions such as criteria used to determine SICR and forward-looking macroeconomic scenarios including the related weighting. For financing receivables tested collectively, we evaluated controls over the modelling process, including model inputs, monitoring, validation, and approval. We challenged key assumptions, reviewed the calculation methodology and traced a sample back to source data. We tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances. We evaluated post-model adjustments and management overlays in order to assess the reasonableness of these adjustments. We further assessed the reasonableness of forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses. The Group performed an independent validation of the PD and LGD models including macro-economic model during the reporting period. We considered the process of this independent validation of models and involved our subject matter specialists to review the validation and its impact on the results of the impairment estimate. We have updated our assessment of the methodology and framework designed and implemented by the Group as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Group to determine future economic conditions at the reporting date. We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRS Accounting Standards.

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Independent Auditor's Report

To the Shareholders of Emirates Islamic Bank P.J.S.C. continued

Key audit matter	How our audit addressed the key audit matter
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Group and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to address the potential risk for fraud and error as a result of change to applications or underlying data.	We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to the identified automated controls and Information Produced by the Entity (IPEs) covering access security, program changes, data center and network operations. We examined certain Information Produced by the Entity (IPEs) used in the financial reporting from relevant applications and key controls over their report logics as well as preparation and maintenance. We performed testing on the key automated controls on significant IT systems relevant to business processes. We tested the interfaces among identified systems in order to determine whether information is being transmitted in an accurate and complete manner.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the annual report of the Group but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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Independent Auditor's Report
To the Shareholders of Emirates Islamic Bank P.J.S.C. continued

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Group;
- Note 10 to the consolidated financial statements discloses the Group's purchases or investments in shares during the year ended 31 December 2023;
- Note 30 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or, in respect of the Bank its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- Note 37 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2023.

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

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
24 January 2024
Dubai
United Arab Emirates

Group Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	2023 AED 000	2022 AED 000
ASSETS			
Cash and deposits with the Central Bank of the UAE	8	**14,981,141**	12,026,286
Due from banks	9	**6,131,154**	4,614,476
Investment securities	10	**10,429,662**	7,355,871
Financing receivables	11	**53,747,737**	48,368,978
Positive fair value of Islamic derivatives	27	**184,173**	184,118
Customer acceptances	29	**1,036,534**	923,843
Investment properties		**184,806**	280,547
Property and equipment		**270,848**	249,206
Other assets	12	**845,676**	760,393
TOTAL ASSETS		**87,811,731**	**74,763,718**
LIABILITIES			
Due to banks	13	**5,792,375**	1,880,081
Customer deposits	14	**61,314,915**	56,343,655
Sukuk payable	15	**4,672,500**	3,672,500
Negative fair value of Islamic derivatives	27	**178,396**	191,500
Customer acceptances	29	**1,036,534**	923,843
Other liabilities	16	**3,373,303**	2,491,797
TOTAL LIABILITIES		**76,368,023**	**65,503,376**
EQUITY			
Issued capital	17	**5,430,422**	5,430,422
Legal and statutory reserve	18	**1,027,161**	815,039
Other reserves	18	**543,043**	543,043
Fair value reserve	18	**(269,979)**	(375,476)
Retained earnings		**4,713,061**	2,847,314
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**11,443,708**	**9,260,342**
TOTAL LIABILITIES AND EQUITY		**87,811,731**	**74,763,718**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 106 to 109.

Mr. Hesham Abdulla Al Qassim
Chairman

Mr. Shayne Nelson
Director

Mr. Farid Al Mulla
Chief Executive Officer

Group Consolidated Statement of Income
For the year ended 31 December 2023

	Notes	2023 AED 000	2022 AED 000
Income from financing and investment products	19	**4,664,893**	2,695,320
Distribution on deposits and profit paid to Sukuk holders	20	**(950,916)**	(360,061)
Net income from financing and investment products		**3,713,977**	**2,335,259**
Fee and commission income	21	**937,078**	829,530
Fee and commission expense		**(454,937)**	(374,426)
Net fee and commission income		**482,141**	**455,104**
Other operating income	22	**569,453**	391,662
Total operating income		**4,765,571**	**3,182,025**
General and administrative expenses	23	**(1,771,366)**	(1,539,020)
Operating profit before impairment		**2,994,205**	**1,643,005**
Net impairment loss on financial assets	24	**(994,638)**	(401,561)
Net impairment (loss) / reversal on non-financial assets		**121,648**	(1,300)
Total net impairment loss		**(872,990)**	**(402,861)**
Net profit for the year		**2,121,215**	**1,240,144**
Earnings per share (AED)	26	**0.391**	**0.228**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 106 to 109.

Group Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	2023 AED 000	2022 AED 000
Net profit for the year	**2,121,215**	1,240,144
Other comprehensive income		
Items that will not be reclassified subsequently to the Income statement:		
Actuarial gains / (losses) on retirement benefit obligations	**(15,714)**	8,073
Items that may be reclassified subsequently to the Income statement:		
Cash flow hedges:		
– Effective portion of changes in fair value	**4,986**	–
Movement in fair value reserve (Sukuk instruments):		
– Net change in fair value	**100,548**	(486,810)
– Net amount transferred to income statement	**(37)**	(1,056)
Other comprehensive income / (loss) for the year	**89,783**	(479,793)
Total comprehensive income for the year	**2,210,998**	**760,351**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 106 to 109.

Group Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	2023 AED 000	2022 AED 000
OPERATING ACTIVITIES		
Net profit for the year	**2,121,215**	1,240,144
Adjustment for non cash items and other items (refer Note 33)	**1,231,036**	584,358
Operating profit before changes in operating assets and liabilities	**3,352,251**	**1,824,502**
(Increase) / decrease in balances with the Central Bank maturing after three months	**(7,439,773)**	2,637,047
(Increase) / decrease in amounts due from banks maturing after three months	**(3,045,773)**	392,866
Increase / (decrease) in amounts due to banks maturing after three months	**(146,455)**	153,946
(Increase) / decrease in positive fair value of Islamic derivatives	**4,931**	(65,742)
Increase / (decrease) in negative fair value of Islamic derivatives	**(13,104)**	64,885
(Increase) / decrease in other assets	**(85,283)**	(95,652)
Increase / (decrease) in other liabilities	**698,126**	518,331
Increase / (decrease) in customer deposits	**4,971,260**	9,074,594
(Increase) / decrease in financing receivables	**(6,451,460)**	(6,342,250)
Net cash flows (used in) / generated from operating activities	**(8,155,280)**	**8,162,527**
INVESTING ACTIVITIES		
(Increase) / decrease in investment securities	**(3,018,038)**	(1,072,456)
(Increase) / decrease of investment properties	**215,665**	(5,057)
Dividend income received	**29**	10,147
(Increase) / decrease of property and equipment	**(110,215)**	(54,272)
Net cash flows used in investing activities	**(2,912,559)**	**(1,121,638)**
FINANCING ACTIVITIES		
Issuance of Sukuk	**1,000,000**	–
Net cash flows generated from financing activities	**1,000,000**	–
Increase / (decrease) in cash and cash equivalents (refer Note 33)	**(10,067,839)**	**7,040,889**

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 106 to 109.

Group Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Issued capital AED 000	Legal and statutory reserve AED 000	Other reserves AED 000	Fair value reserve AED 000	Retained earnings AED 000	Total AED 000
Balance as at 1 January 2023	**5,430,422**	**815,039**	**543,043**	**(375,476)**	**2,847,314**	**9,260,342**
Profit for the year	**–**	**–**	**–**	**–**	**2,121,215**	**2,121,215**
Other comprehensive income/(loss) for the year	**–**	**–**	**–**	**105,497**	**(15,714)**	**89,783**
Transfer to reserves	**–**	**212,122**	**–**	**–**	**(212,122)**	**–**
Directors' fees (refer note 25)	**–**	**–**	**–**	**–**	**(7,000)**	**(7,000)**
Zakat	**–**	**–**	**–**	**–**	**(20,632)**	**(20,632)**
Balance as at 31 December 2023	**5,430,422**	**1,027,161**	**543,043**	**(269,979)**	**4,713,061**	**11,443,708**
Balance as at 1 January 2022	5,430,422	691,025	543,043	112,390	1,774,104	8,550,984
Profit for the year	–	–	–	–	1,240,144	1,240,144
Other comprehensive income/(loss) for the year	–	–	–	(487,866)	8,073	(479,793)
Transfer to reserves	–	124,014	–	–	(124,014)	–
Directors' fees	–	–	–	–	(7,000)	(7,000)
Zakat	–	–	–	–	(43,993)	(43,993)
Balance as at 31 December 2022	5,430,422	815,039	543,043	(375,476)	2,847,314	9,260,342

The attached notes 1 to 38 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 106 to 109.

Notes to the Group Consolidated Financial Statements
For the year ended 31 December 2023

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

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

The Bank is a subsidiary of Emirates NBD Bank (P.J.S.C), Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), which is wholly owned by the Government of Dubai.

The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is www.emiratesislamic.ae. In addition to its head office in Dubai, the Bank operates through 40 branches in the UAE. The consolidated financial statements comprise financial statements of the Bank and its following subsidiaries (together referred to as "the Group").

	Date of incorporation & country	Principal activity	Ownership %	
			31 December 2023	31 December 2022
Emirates Islamic Financial Brokerage Co. LLC*	26 April 2006, UAE	Financial brokerage services	100%	100%
EIB Sukuk Company Limited	6 June 2007, Cayman Islands	Special Purpose Entity	100%	100%
EI Funding Limited	15 May 2014, Cayman Islands	Special Purpose Entity	100%	100%

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

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

*This subsidiary is in the process of being dissolved.

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

Federal Law No. 32 of 2021 on Commercial Companies has come into effect from 2 January 2022, replacing the existing Federal Law No. 2 of 2015.

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

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

4 Basis of measurement
The Group consolidated financial statements have been prepared under the historical cost basis except for the following:
- Shariah compliant derivatives are measured at fair value;
- financial instruments classified at fair value through profit or loss (FVTPL) are measured at fair value; and,
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value.

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

5 Use of judgements and estimates

The preparation of the Group consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required for impaired financing receivables as well as allowances for impairment provision for unquoted investment securities. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Financial instruments

Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the consolidated financial statements of the year ended 31 December 2023 pertain to:

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

Inputs, assumptions and techniques used for ECL calculation

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

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

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

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

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

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

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

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

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

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

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

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

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

The table below summarises key macroeconomic indicators included in the economic scenarios on 31 December 2023 for the years ending 2023 to 2027.

	Base Scenario					Upside Scenario					Downside Scenario				
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
UAE															
Oil Price – USD	84	87	76	74	74	84	89	77	74	74	84	69	59	69	72
GDP – Change %	3.1	4.0	4.3	3.1	3.2	3.1	5.8	5.7	3.2	3.2	3.1	0.2	-0.2	4.1	4.9
Imports – AED in Bn	1436	1500	1561	1602	1639	1436	1521	1604	1669	1722	1436	1372	1325	1365	1410

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

Definition of default

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

Expected Life

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

Governance

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

(ii) Fair value of financial instruments

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

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

(iii) Contingent liability arising from litigations

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

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

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

(a) Principles of consolidation
(i) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:
a. the Group has power over the SPE;
b. the Group has exposure to, or rights, to variable returns from its involvement with the SPE; and
c. the Group has the ability to use its power over the SPE to affect the amount of the Group's returns.

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

Information about the Group's securitisation activities is included in Note 15.

(b) Foreign Currencies

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

(c) Financing Profit

Effective profit rate

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

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

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

Amortised cost

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

Gross carrying amount

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

Presentation

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

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

(d) Income from financing receivables

Revenue is recognised on the respective Islamic products as follows:

Murabaha

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

Istisna'a

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

Ijara

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

Mudaraba

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

Wakala

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

6 Significant accounting policies

(e) Fees and commission

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

Fee income is accounted for as follows:

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

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

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

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

(f) Earnings prohibited by Shariah

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

(g) Dividend income

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

(h) Property related income

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

(i) Leases

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

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

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

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

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

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

(j) Financial assets and financial liabilities

(i) Classification of financial assets and financial liabilities

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

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

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

All other financial assets are classified as measured at FVTPL.

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

(ii) Recognition and initial measurement

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

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

Business model assessment:

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

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

6 Significant accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(ii) Recognition and initial measurement (continued)

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

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

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

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

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

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

Reclassifications:

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

(iii) Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

Measurement of ECL

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

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

Restructured financial assets

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

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

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

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

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

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

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

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

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

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

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

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

(vi) Financing receivables
Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 'Financing receivables' captions in the consolidated statement of financial position include:
- Financing receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective profit method and are presented net of expected credit losses; and
- Financing receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss, if applicable.

The following terms are used in financing receivables:

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

6 Significant accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(vi) Financing receivables (continued)

Istisna'a

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

Ijara

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

Musharaka

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

Mudaraba

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

Wakala

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

These products are carried at amortised cost less impairment.

(vii) Investment securities

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

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

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

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

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

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

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

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards or ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

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

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

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

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

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

(ix) Modification of financial assets and financial liabilities

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

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

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

(x) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

(xi) Fair value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
(i) In the principal market for the asset or liability; or
(ii) In the absence of principal market, in the most advantageous market for the asset and liabilities.

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

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

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

6 Significant accounting policies (continued)

(j) Financial assets and financial liabilities (continued)

(xii) Designated at FVTPL

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

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:
(a) The liabilities are managed, evaluated and reported internally on a fair value basis; or
(b) The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

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

(xiii) Sale and repurchase agreements

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

(k) Cash and cash equivalents

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

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

(l) Islamic derivatives held for risk management purposes and hedge accounting

The Group follows a hedge accounting model that aligns hedge accounting more closely with risk management. The model measures hedge effectiveness through an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

The Group also performs rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of Islamic derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss. Gains and losses are recorded in 'income from trading activities' except for gains and losses on those Islamic derivatives that are managed together with financial instruments designated at fair value; these gains and losses are included in 'other operating income'.

The Group utilises Shariah compliant hedging instruments to satisfy the requirements of its customers, for proprietary trading purposes and to hedge its own exposure to profit rates and currency risk.

Where there is a hedging relationship between an Islamic derivative instrument and a related item being hedged, the hedging instrument is measured at fair value, with any resultant gains and losses being accounted as set out below.

The fair value of Islamic derivative hedging instruments is calculated in the same way as the fair value of financial instruments.

The method of recognising the resulting fair value gain or loss depends on whether the Islamic derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain Islamic derivatives as either:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
- Hedge of net investment in a foreign operation.

Hedge accounting is used for Islamic derivatives designated in this way provided certain criteria are met.

(i) Fair value hedge

When an Islamic derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the Islamic derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging Islamic derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective profit method is used, is amortised to profit or loss as part of the recalculated effective profit rate of the item over its remaining life.

(ii) Cash flow hedge
When an Islamic derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of Islamic derivative is recognised in other comprehensive income within 'Cash flow hedges – fair value gains / (losses)'. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Group consolidated statement of income.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the Group consolidated statement of income in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting or the hedge designation is revoked, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the Group consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to the Group consolidated statement of income.

(iii) Net investment hedges
When an Islamic derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve. Any ineffective portion of the changes in the fair value of the Islamic derivative is recognised immediately in Group consolidated statement of income. The amount recognised in other comprehensive income is reclassified to the Group consolidated statement of income as an adjustment on disposal of the foreign operation.

(iv) Islamic derivatives that do not qualify for hedge accounting
Certain Islamic derivative financial instruments do not qualify for hedge accounting. Such Islamic derivative financial instruments include foreign exchange contracts, profit rate swaps and foreign exchange options. Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positives and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

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

(v) Embedded Islamic derivatives
Islamic derivatives embedded in financial assets, liabilities and non-financial host contacts, are treated as separate Islamic derivatives and recorded at fair value if they meet the definition of an Islamic derivative, their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVTPL. The embedded Islamic derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Group consolidated statement of income.

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

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

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

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

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

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

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

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

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

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

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

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

(p) Intangible assets
(i) Capitalised software
Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

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

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

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

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

(r) Deposits, financing receivables and Sukuks issued
Deposits, financing receivables and Sukuks issued are the main sources of funding for the Group.

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

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

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

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

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

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

6 Significant accounting policies (continued)

(u) Dividend on shares

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

(v) Share capital and reserves

Share issue costs

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

(w) Earnings per share

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

(x) Operating segments

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

The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 28.

(y) Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(z) Profit distribution

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

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

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

(aa) Zakat

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

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

(ab) Profit equalisation reserve

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

(ac) Depositors' investment risk reserve

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

(ad) Revenue recognition

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

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

(ae) Corporate tax in UAE

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

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

The CT Law confirms the rate of 9% to be applied to taxable income exceeding a specified threshold. It is not currently foreseen that the Group will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) – Pillar Two rules by the countries where the Group operates and the implementation of a top-up tax regime by UAE MOF.

As per the Group's assessment, there is no deferred tax impact on account of the CT Law in the Group consolidated financial statements for the year ended 31 December 2023. Furthermore, based on the Group's assessment, the expected effective tax rate that it will be subject to in the UAE is 9%.

7 Standards issued but not yet adopted

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023, with the Group not opting for early adoption.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* relating to Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements* relating to Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures relating to Supplier Finance Arrangements*	1 January 2024

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

8 Cash and deposits with the Central Bank of the UAE

	2023 AED 000	2022 AED 000
Cash	**902,981**	517,586
Statutory and other deposits with the Central Bank of the UAE	**6,542,899**	4,321,753
Murabaha with the Central Bank of the UAE	**7,535,261**	7,186,947
	14,981,141	12,026,286

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

9 Due from banks

	Local (UAE) AED 000	**Foreign AED 000**	**Total AED 000**
31 December 2023			
Time	**1,651,631**	**4,102,790**	**5,754,421**
Overnight, call and short notice	**6,090**	**384,666**	**390,756**
Gross due from banks	**1,657,721**	**4,487,456**	**6,145,177**
Less: Expected credit losses			**(14,023)**
			6,131,154

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

10 Investment Securities

	Domestic* AED 000	Regional** AED 000	International*** AED 000	Total AED 000
31 December 2023				
DESIGNATED AS AT FVTPL				
Equity	**–**	**64,172**	**–**	**64,172**
Others	**–**	**–**	**–**	**–**
	–	**64,172**	**–**	**64,172**
MEASURED AT AMORTISED COST				
Government Sukuk	**1,145,290**	**1,242,179**	**262,834**	**2,650,303**
Corporate Sukuk	**794,031**	**404,133**	**669,308**	**1,867,472**
	1,939,321	**1,646,312**	**932,142**	**4,517,775**
Less: Expected credit losses				**(4,715)**
				4,513,060
MEASURED AT FVOCI				
Government Sukuk	**–**	**80,579**	**460,316**	**540,895**
Corporate Sukuk	**2,563,407**	**1,050,027**	**1,716,716**	**5,330,150**
	2,563,407	**1,130,606**	**2,177,032**	**5,871,045**
Less: Expected credit losses				**(18,615)**
				5,852,430
Gross investment securities	**4,502,728**	**2,841,090**	**3,109,174**	**10,452,992**
Net investment securities				**10,429,662**

As at 31 December 2023, the fair value of investment securities measured at amortized cost amounted to AED 4,526 million (31 December 2022: AED 1,226 million).

Investment securities with the carrying amount of AED 345 million (2022: Nil) and fair value of AED 335 million (2022: Nil) were collateralised for obligations under due to banks (refer note 13).

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

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

11 Financing receivables

	2023 AED 000	2022 AED 000
At Amortised Cost		
Murabaha	**37,048,788**	32,616,411
Credit cards receivable	**2,876,335**	2,287,312
Wakala	**359,983**	364,502
Istissna'a	**1,689,745**	1,306,557
Ijara	**18,270,242**	17,820,042
Others	**14,548**	115,001
	60,259,641	54,509,825
Less: Deferred income	**(1,660,758)**	(1,428,178)
Gross financing receivables	**58,598,883**	53,081,647
Less: Expected credit losses	**(4,851,146)**	(4,712,669)
Net financing receivables	**53,747,737**	48,368,978
Total of impaired financing receivables	**3,682,118**	3,692,074

	2023 AED 000	2022 AED 000
By Business Units		
Corporate banking	**22,265,033**	20,768,213
Retail banking	**36,333,850**	32,313,434
	58,598,883	53,081,647

Ijara assets amounting to AED 2.9 billion (2022: AED 2.3 billion) were securitised for the purpose of issuance of Sukuk liability (refer note 15).

Allowances of impairment on financing receivables have been disclosed in further detail in note 35 I.

12 Other assets

	2023 AED 000	2022 AED 000
Profit receivable	**145,725**	153,644
Prepayments and other advances	**166,050**	96,871
Sundry financing and other receivables	**5,500**	14,924
Deferred sales commission	**23,269**	21,852
Goods available-for-sale	**41,574**	77,855
Others	**463,558**	395,247
	845,676	760,393

13 Due to banks

	2023 AED 000	2022 AED 000
Demand and call deposits	**543,161**	42,636
Repurchase agreements with banks	**327,121**	–
Time and other deposits	**4,922,093**	1,837,445
	5,792,375	1,880,081

The profit paid on the above averaged 3.89% p.a. (2022: 1.50% p.a).

14 Customer deposits

	2023 AED 000	2022 AED 000
(a) By Type		
Demand, call and short notice	**29,495,837**	24,921,802
Wakala	**13,330,344**	13,028,063
Time deposits	**1,514,051**	1,861,928
Savings	**16,557,979**	15,957,744
Others	**416,704**	574,118
	61,314,915	56,343,655
(b) By Business Units		
Corporate banking	**11,444,545**	12,874,573
Retail banking	**49,870,370**	43,469,082
	61,314,915	56,343,655

The profit rates paid on the above deposits averaged 1.26% p.a. (2022: 0.50% p.a.).

15 Sukuk payable

a) During 2023, the Group issued Sukuk amounting to AED 1 billion to raise AED denominated medium term finance via a Shariah compliant Sukuk financing arrangement. In years 2020 and 2021, Group had issued AED 3.7 billion to raise US Dollar denominated medium term finance via a Shariah compliant Sukuk financing arrangement. As at 31 December 2023, the total outstanding Sukuk payable is AED 4.7 billion.

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

Issue Date	Amount	Listing	Profit rate (%)	Payment basis	Maturity
September 2020	USD 500,000,000	Irish Stock Exchange & Nasdaq	1.827	Semi annual	September 2025
October 2021	USD 500,000,000	Irish Stock Exchange & Nasdaq	2.082	Semi annual	November 2026
February 2023	AED 1,000,000,000	Nasdaq	5.05	Semi annual	February 2026

The Bank transferred certain identified Ijara assets totalling to AED 2.9 billion (the “co-owned assets”) to its subsidiary, EIB Sukuk company limited – (the “Issuer”), a special purpose vehicle formed for the issuance of these Sukuk. The Bank has further entered into a Murabaha with the Sukuk holders for an amount of AED 1.9 billion. This medium term finance is carried at amortised cost.

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

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

	2023 AED 000	2022 AED 000
Balance as at 1 January	**3,672,500**	3,672,500
Issuances	**1,000,000**	–
Balance at 31 December	**4,672,500**	3,672,500

15 Sukuk payable continued

As at 31 December 2023, the outstanding Sukuk payable totalling AED 4,673 million (31 December 2022: AED 3,673 million) is falling due as below:

	2023 AED 000	2022 AED 000
2025	**1,836,250**	1,836,250
2026	**2,836,250**	1,836,250
	4,672,500	3,672,500

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

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

16 Other liabilities

	2023 AED 000	2022 AED 000
Profit payable to depositors	**301,577**	141,374
Staff related liabilities	**194,036**	158,055
Managers' cheques	**612,105**	504,412
Trade and other payables	**342,530**	333,159
Zakat payable	**20,992**	44,065
Depositors' Investment risk reserve	**13,603**	2,724
Others	**1,888,460**	1,308,008
	3,373,303	2,491,797

(i) Movement in depositors' investment risk reserve is as follows.

	2023 AED 000	2022 AED 000
Balance as at 1 January	**2,724**	–
Profit earned on reserve balance	**–**	–
Transfer	**11,239**	2,796
Zakat	**(360)**	(72)
Balance at 31 December	**13,603**	2,724

17 Issued capital and share premium reserve

	2023 AED 000	2022 AED 000
Authorized Share Capital		
10,000,000,000 (2022: 10,000,000,000) ordinary shares of AED 1 each (2022: AED 1 each)	**10,000,000**	10,000,000
Issued and fully paid up capital		
5,430,421,875 (2022: 5,430,421,875) ordinary shares of AED 1 each (2022: AED 1 each)	**5,430,422**	5,430,422

18 Reserves

Legal and statutory reserve

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

Other reserve

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

	Legal and statutory reserve AED 000	Other reserves AED 000	Total AED 000
At 1 January 2023	815,039	543,043	1,358,082
Transfer from retained earnings*	212,122	–	212,122
At 31 December 2023	1,027,161	543,043	1,570,204

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

Fair value reserve

Fair value reserve includes the net change in fair value of FVOCI financial assets and the net effective portion of changes in fair value of cash flow hedges.

19 Income from financing receivables and investment products

	2023 AED 000	2022 AED 000
Financing receivables		
– Murabaha	**2,502,059**	1,441,439
– Ijara	**1,121,916**	650,488
– Istisna'a	**85,117**	39,329
Investment securities measured at FVOCI	**213,015**	174,150
Investment securities measured at amortised cost	**120,338**	34,579
Others	**622,448**	355,335
	4,664,893	2,695,320

20 Distribution on deposits and profit paid to Sukuk holders

	2023 AED 000	2022 AED 000
Distribution to depositors	**832,017**	286,127
Profit paid to Sukuk holders	**118,899**	73,934
	950,916	360,061

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

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

21 Fee and commission income

	2023 AED 000	2022 AED 000
Commission income	**82,041**	71,353
Fee income	**855,037**	758,177
Total fee and commission income	**937,078**	829,530

22 Other operating income

	2023 AED 000	2022 AED 000
Dividend income on equity investments designated at FVTPL	**29**	10,147
Gain from sale of investment securities measured at FVOCI	**37**	1,056
Gain / (loss) from investment securities designated at fair value through profit or loss	**27,774**	22,417
Rental income (net of depreciation)	**4,920**	2,396
Gain on sale of properties (investment properties / inventories)	**9,921**	11,544
Foreign exchange and Islamic derivative income / (loss)*	**499,720**	340,631
Other income (net)	**27,052**	3,471
	569,453	391,662

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

23 General and administrative expenses

	2023 AED 000	2022 AED 000
Staff cost	**676,420**	594,832
Recharges from group companies	**437,826**	351,699
Depreciation	**88,573**	86,939
Others*	**568,547**	505,550
	1,771,366	1,539,020

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

24 Net impairment loss on financial assets

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

	2023 AED 000	2022 AED 000
Net impairment of due from banks	**4,923**	4,802
Net impairment of investment securities	**(6,548)**	14,509
Net impairment of financing receivables (refer note 35 I)	**1,072,701**	587,296
Net impairment of unfunded exposures	**140,034**	(393)
Bad financing written off / (recovery) – net	**(216,472)**	(204,653)
Net impairment loss on financial assets	**994,638**	401,561

25 Directors fees

This comprises of fees payable to the directors of the Group of AED 7 million (2022: AED 7 million).

26 Earnings per share

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

	2023	2022
Net profit for the year (AED '000)	**2,121,215**	1,240,144
Weighted average number of ordinary shares in issue ('000)	**5,430,422**	5,430,422
Earnings per share* (AED)	**0.391**	0.228

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

27 Islamic derivative financial instruments

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

31 December 2023	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	**4,352**	**(374)**	**4,394,720**	**2,322,152**	**2,072,568**	**–**	**–**	**–**
Foreign exchange options	**4,587**	**(4,711)**	**654,206**	**105,792**	**317,375**	**231,039**	**–**	**–**
Profit rate swaps/caps	**170,248**	**(173,311)**	**11,863,935**	**–**	**1,101,228**	**5,279,226**	**2,965,090**	**2,518,391**
Total	**179,187**	**(178,396)**	**16,912,861**	**2,427,944**	**3,491,171**	**5,510,265**	**2,965,090**	**2,518,391**
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	**4,986**	**–**	**300,000**	**–**	**–**	**300,000**	**–**	**–**
Total	**184,173**	**(178,396)**	**17,212,861**	**2,427,944**	**3,491,171**	**5,810,265**	**2,965,090**	**2,518,391**

31 December 2022	Positive fair value AED 000	Negative fair value AED 000	Notional amount AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	3,534	(2,524)	5,020,278	2,983,492	2,036,786	–	–	–
Foreign exchange options	3,505	(3,612)	136,799	28,303	51,889	56,607	–	–
Profit rate swaps/caps	177,079	(185,364)	9,419,651	–	299,238	2,719,659	3,312,199	3,088,555
Total	184,118	(191,500)	14,576,728	3,011,795	2,387,913	2,776,266	3,312,199	3,088,555
Islamic Derivatives held as cash flow hedge:								
Profit rate swaps/caps	–	–	–	–	–	–	–	–
Total	184,118	(191,500)	14,576,728	3,011,795	2,387,913	2,776,266	3,312,199	3,088,555

Islamic derivative related credit risk

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

Islamic derivatives held or issued for trading purposes

Most of the Group's Islamic derivative trading activities relate to sales and position coverage. Sales activities involve offering products to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks.

Profit rate derivatives trading is conducted under Board approved limits.

Islamic derivatives held or issued for hedging purposes

As part of its asset and liability management, the Group uses Islamic derivatives for hedging purposes in order to reduce its exposure to currency and profit rate risks. This is achieved by hedging specific financial instruments and forecasted transactions as well as strategic hedging against overall balance sheet exposures.

The Group designates its Islamic derivatives held or issued for hedging purposes as:

- Fair value hedges: Hedges of the fair value of recognised assets or liabilities or firm commitments;
- Cash flow hedges: Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction; and
- Net investment hedges: Hedges of net investments in foreign operations.

27 Islamic derivative financial instruments continued

Islamic derivatives held or issued for hedging purposes continued

Further, in terms of the hedging transactions carried out by the Group, the Group documents:

- At the inception of the transaction, the relationship between hedging instruments and hedged items, the risk being hedged and the Group's risk management objective and strategy for undertaking a hedge transaction.
- The manner in which effectiveness will be measured throughout the life of the hedge relationship.

At the end of period, no derivatives are designated for hedging purposes as "Fair value hedge" or "Net investment hedge".

The Group's assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge effectiveness is measured by the Group on a prospective basis at inception, as well as retrospectively (where applicable) and prospectively over the term of the hedge relationship. Sources of ineffectiveness in hedge accounting include the impact of Islamic derivative related credit risk on the valuation of the hedging Islamic derivative and hedged item. To mitigate this credit risk, the Group executes hedging Islamic derivatives with high quality counterparties and the majority of the Group's hedging Islamic derivatives are collateralised.

Fair value hedges:

The Group uses profit rate swaps to hedge against changes in value of investment securities due to profit rate movements. These are designated by the Group as fair value hedges and, therefore the fair value hedge accounting is applied to hedge movements in the value of fixed profit rate assets and liabilities subject to profit rate risk, as well as assets and liabilities subject to foreign exchange risk.

Subsequent to initial designation, changes in the fair value of Islamic derivatives designated as fair value hedges are accounted for in the 'other operating income', along with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

Cash flow hedges:

The Group uses profit rate swaps and forward rate agreements to hedge against the cash flow risks arising on certain floating rate customer deposits and medium-term financings. Profit rate swaps are also used to hedge against the cash flow risks arising on certain floating rate facilities and receivables. These are designated by the Group as cash flow hedges, and, as such, the Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to profit rate risk on variable rate assets and liabilities, and assets and liabilities subject to foreign exchange risk.

The effective portion of changes in the fair value of Islamic derivatives designated as cash flow hedges are recognised in the fair value reserve within equity. Any gain or loss relating to the ineffective portion is recognised immediately in the Group consolidated statement of income.

28 Operating segments

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

Corporate and institutional banking

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

Retail banking and wealth management

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

Treasury

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

Others

Other operations of the Group include operations and support functions.

31 December 2023	Corporate and institutional banking AED 000	Retail banking and wealth management AED 000	Treasury AED 000	Others AED 000	Total AED 000
Net income from financing and investment products	**651,496**	**2,150,596**	**376,856**	**535,029**	**3,713,977**
Net fees, commission & other income	**179,691**	**822,304**	**35,780**	**13,819**	**1,051,594**
Total operating income	**831,187**	**2,972,900**	**412,636**	**548,848**	**4,765,571**
General administrative and other expenses	**(90,221)**	**(1,009,377)**	**(23,393)**	**(648,375)**	**(1,771,366)**
Net impairment loss	**(126,668)**	**(876,420)**	**6,282**	**123,816**	**(872,990)**
Net profit / (loss) for the year	**614,298**	**1,087,103**	**395,525**	**24,289**	**2,121,215**
Segment Assets	**27,305,137**	**41,522,562**	**18,966,447**	**17,585**	**87,811,731**
Segment Liabilities and Equity	**14,486,859**	**52,638,886**	**2,848,117**	**17,837,869**	**87,811,731**

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

29 Commitments and contingencies

The Group's commitments and contingencies are as follows:

	2023 AED 000	2022 AED 000
Letters of credit	**563,001**	648,689
Guarantees	**6,578,967**	5,461,759
Liability on risk participations	**10,781**	–
Irrevocable financing commitments*	**2,795,524**	1,489,294
	9,948,273	7,599,742

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

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

AED 000	31 December 2023		31 December 2022	
	Stage 1	Stage 2	Stage 1	Stage 2
Unfunded exposures	**10,665,416**	**319,391**	7,923,217	600,368
ECL on unfunded exposures	**151,976**	**7,313**	19,201	52

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

(a) Acceptance

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

(b) Capital Commitments

The Group has commitments as at 31 December 2023 for branch refurbishments and automation projects of AED 11.2 million (2022: AED 9.7 million).

30 Related party transactions

The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (40.92%, 2022: 55.75%). The Government of Dubai is the major shareholder in Investment Corporation of Dubai.

Customer accounts from and financing to Government related entities, other than those that have been individually disclosed, amount to 14.2% and 4.2% (2022: 16.0% and 4.0%) of the total customer's deposits and financing receivables of the Group, respectively.

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

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

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

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

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

	2023 AED 000	2022 AED 000
Financing and other receivables		
To parent and related companies	**429,743**	971,157
To directors and related companies	**4,240**	8,671
To key management personnel and affiliates	**3,592**	164
	437,575	979,992
Customer deposits and other payables		
From ultimate parent company	**9**	183,635
From parent and related companies	**4,578,147**	1,505,156
From directors and related companies	**99**	161
From key management personnel and affiliates	**18,983**	17,847
	4,597,238	1,706,799
Investment securities and Islamic derivatives		
Investment in ultimate parent company	**186,045**	191,577
Positive fair value of Islamic derivative – Parent and related companies	**67,476**	103,257
Negative fair value of Islamic derivative – Parent and related companies	**(116,858)**	(81,130)
Notional amount of Islamic derivative – Parent and related companies	**10,804,699**	9,725,512
Group Consolidated Statement of Income		
Recharges from group companies	**(437,826)**	(351,699)
Income from investment in ultimate parent company	**6,443**	6,443
Income on financing receivables		
From parent and related companies	**55,114**	12,527
Distribution on deposits		
To ultimate parent company	**3,911**	4,061
To parent and related companies	**25,800**	8,591

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

	2023 AED 000	2022 AED 000
Key management compensation		
Short term employee benefits	**30,754**	24,443
Post employment benefits	**1,062**	3,003

31 Geographical distribution of assets and liabilities

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

31 December 2023	UAE AED 000	Other GCC AED 000	International AED 000	Total AED 000
ASSETS				
Cash and deposits with the Central Bank of the UAE	**14,981,141**	**–**	**–**	**14,981,141**
Due from banks	**1,643,698**	**1,804,977**	**2,682,479**	**6,131,154**
Investment securities	**4,492,761**	**2,839,039**	**3,097,862**	**10,429,662**
Financing Receivables	**52,292,815**	**1,198,431**	**256,491**	**53,747,737**
Positive fair value of Islamic derivatives	**184,173**	**–**	**–**	**184,173**
Customer acceptances	**1,036,534**	**–**	**–**	**1,036,534**
Investment properties	**184,806**	**–**	**–**	**184,806**
Property and equipment	**270,848**	**–**	**–**	**270,848**
Other assets	**845,676**	**–**	**–**	**845,676**
TOTAL ASSETS	**75,932,452**	**5,842,447**	**6,036,832**	**87,811,731**
LIABILITIES				
Due to banks	**4,954,915**	**160,310**	**677,150**	**5,792,375**
Customer deposits	**60,092,326**	**267,519**	**955,070**	**61,314,915**
Sukuk payable	**4,672,500**	**–**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**178,396**	**–**	**–**	**178,396**
Customer acceptances	**1,036,534**	**–**	**–**	**1,036,534**
Other liabilities	**3,373,303**	**–**	**–**	**3,373,303**
Total equity	**11,443,708**	**–**	**–**	**11,443,708**
TOTAL LIABILITIES AND EQUITY	**85,751,682**	**427,829**	**1,632,220**	**87,811,731**
Geographical distribution of letters of credit and guarantees	**6,390,411**	**151,449**	**600,108**	**7,141,968**

31 December 2022				
Geographical distribution of assets	65,276,404	3,991,197	5,496,117	74,763,718
Geographical distribution of liabilities and equity	73,546,446	548,088	669,184	74,763,718
Geographical distribution of letters of credit and guarantees	5,920,252	124,134	66,062	6,110,448

32 Financial assets and liabilities

A. Classification of financial assets and financial liabilities

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

31 December 2023	FVTPL AED 000	FVOCI AED 000	Amortised cost* AED 000	Hedging instruments AED 000	Total carrying value AED 000
Financial assets					
Cash and deposits with the Central Bank of the UAE	**–**	**–**	**14,981,141**	**–**	**14,981,141**
Due from banks	**–**	**–**	**6,131,154**	**–**	**6,131,154**
Investment securities	**64,172**	**5,852,430**	**4,513,060**	**–**	**10,429,662**
Financing receivables	**–**	**–**	**53,747,737**	**–**	**53,747,737**
Positive fair value of Islamic derivatives	**179,187**	**–**	**–**	**4,986**	**184,173**
Others	**–**	**–**	**1,651,317**	**–**	**1,651,317**
	243,359	**5,852,430**	**81,024,409**	**4,986**	**87,125,184**
Financial liabilities					
Due to banks	**–**	**–**	**5,792,375**	**–**	**5,792,375**
Customer deposits	**–**	**–**	**61,314,915**	**–**	**61,314,915**
Sukuk payable	**–**	**–**	**4,672,500**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**178,396**	**–**	**–**	**–**	**178,396**
Others	**–**	**–**	**4,409,837**	**–**	**4,409,837**
	178,396	**–**	**76,189,627**	**–**	**76,368,023**

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

32 Financial assets and liabilities continued

A. Classification of financial assets and financial liabilities continued

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

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

B. Fair value of financial instruments

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

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

31 December 2023	**Level 1 AED 000**	**Level 2 AED 000**	**Level 3 AED 000**	**Total AED 000**
Investment securities				
FVOCI				
Government Sukuk	**532,978**	**–**	**–**	**532,978**
Corporate Sukuk	**5,319,452**	**–**	**–**	**5,319,452**
	5,852,430	**–**	**–**	**5,852,430**
Designated at FVTPL				
Equity	**–**	**–**	**64,172**	**64,172**
Others	**–**	**–**	**–**	**–**
	–	**–**	**64,172**	**64,172**
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives held for trading	**–**	**179,187**	**–**	**179,187**
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	**–**	**4,986**	**–**	**4,986**
	–	**184,173**	**–**	**184,173**
Negative fair value of Islamic derivatives				
Islamic derivatives held for trading	**–**	**(178,396)**	**–**	**(178,396)**
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	**–**	**–**	**–**	**–**
	–	**(178,396)**	**–**	**(178,396)**
	5,852,430	**5,777**	**64,172**	**5,922,379**

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

	Designated at FVTPL AED 000
Balance as at 1 January 2023	**64,298**
Total gains or losses:	
– in profit or loss	**6,969**
Transfers out of level 3	**–**
Settlements and other adjustments	**(7,095)**
Balance as at 31 December 2023	**64,172**
	64,172

31 December 2022	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Investment securities				
FVOCI				
Government Sukuk	522,128	–	–	522,128
Corporate Sukuk	5,402,935	–	–	5,402,935
	5,925,063	–	–	5,925,063
Designated at FVTPL				
Equity	–	106,600	64,182	170,782
Others	–	–	116	116
	–	106,600	64,298	170,898
Islamic derivative financial instruments				
Positive fair value of Islamic derivatives				
Islamic derivatives held for trading	–	184,118	–	184,118
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	–	–	–
	–	184,118	–	184,118
Negative fair value of Islamic derivatives				
Islamic derivatives held for trading	–	(191,500)	–	(191,500)
Islamic derivatives held as cash flow hedge:				
Profit rate swaps	–	–	–	–
	–	(191,500)	–	(191,500)
	5,925,063	99,218	64,298	6,088,579

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

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

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

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2023 and 31 December 2022.

33 Notes to the group consolidated cash flow statement

	2023 AED 000	2022 AED 000
(a) Analysis of changes in cash and cash equivalents during the year		
Balance at beginning of year	**7,097,319**	56,430
Net cash inflow / (outflow)	**(10,067,839)**	7,040,889
Balance at end of year	**(2,970,520)**	7,097,319
(b) Analysis of cash and cash equivalents		
Cash and deposits with the Central Bank of the UAE	**14,981,141**	12,026,286
Due from banks	**6,145,177**	4,623,576
Due to banks	**(5,792,375)**	(1,880,081)
	15,333,943	14,769,781
Less: Deposits with the Central Bank for regulatory purposes	**(5,498,131)**	(3,013,129)
Less: Murabaha with the Central Bank maturing after three months	**(7,535,257)**	(2,580,486)
Less: Amounts due from banks maturing after three months	**(5,278,566)**	(2,232,793)
Add: Amounts due to banks maturing after three months	**7,491**	153,946
	(2,970,520)	7,097,319
(c) Adjustment for non cash and other items		
Net impairment loss / (reversal) on due from banks / other assets	**4,923**	4,802
Net impairment loss / (reversal) on investment securities	**(6,548)**	14,509
Impairment loss on financing receivables	**1,072,701**	587,296
Impairment loss on unfunded exposures	**140,034**	(393)
Dividend income on equity investments	**(29)**	(10,147)
Depreciation / impairment on property and equipment / investment properties	**(21,430)**	101,047
Unrealised (gain) / loss on investments	**51,306**	(101,212)
(Gain) / loss on sale of properties (investment properties / inventories)	**(9,921)**	(11,544)
	1,231,036	584,358

34 Capital management and allocation

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

Minimum Capital Requirements

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

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

Regulatory Capital

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.
- AT1 capital comprises eligible non-common equity capital instruments. The Group does not have AT1 capital at the end of reporting period.
- T2 capital comprises qualifying subordinated financing, and undisclosed reserve.

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

	2023 AED 000	2022 AED 000
Available capital		
Common equity tier 1 capital	**11,726,133**	9,427,854
Tier 1 capital	**11,726,133**	9,427,854
Total eligible capital	**12,426,801**	10,033,965
Risk-weighted assets		
Credit risk	**56,053,403**	48,488,869
Market risk	**101,515**	84,066
Operational risk	**5,830,949**	4,196,721
Total risk-weighted assets	**61,985,867**	52,769,656

Capital Ratio	2023	2022
a. Total capital ratio for consolidated Group	**20.05%**	19.01%
b. Tier 1 ratio only for consolidated Group	**18.92%**	17.87%
c. CET1 ratio only for consolidated Group	**18.92%**	17.87%

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

	2023 AED 000	2022 AED 000
Common Equity Tier 1 (CET1) Capital		
Share Capital	**5,430,422**	5,430,422
Eligible reserves	**1,300,225**	982,607
Transitional arrangement: Partial addback of ECL impact to CET1	**362,479**	209,588
Retained earnings / (-) loss	**4,713,061**	2,847,314
CET1 capital before the regulatory adjustments and threshold deduction	**11,806,187**	9,469,931
Less: Regulatory deductions	**(80,054)**	(42,077)
Total CET1 capital after the regulatory adjustments and threshold deduction	**11,726,133**	9,427,854
Total CET1 capital after transitional arrangement for deductions (CET1) (A)	**11,726,133**	9,427,854
Additional Tier 1 (AT1) Capital		
Eligible AT1 capital	**-**	-
Other AT1 Capital (e.g. Share premium, non-controlling interest)	**-**	-
Total AT1 capital	**-**	-
Total AT1 capital after transitional arrangements (AT1) (B)	**-**	-
Tier 2 (T2) Capital		
Other Tier 2 capital (including General Provisions, etc.)	**700,668**	606,111
Total T2 Capital	**700,668**	606,111
Total T2 capital after transitional arrangements (T2) (C)	**700,668**	606,111
Total Regulatory Capital (A+B+C)	**12,426,801**	10,033,965

35 Risk management

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

Group Risk Management Framework (GRMF):

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

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

- Business units: required to ensure the effective management of risks within the scope of their direct organisational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities.
- Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Group's risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the management chain.
- Group Internal Audit: provides independent assurance and reports its findings to all relevant management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.

35 Risk management continued

A. Risk governance

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

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

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

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

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

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

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

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

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

B. The risk function

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

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

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

C. Risk appetite

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

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

D. Credit risk

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

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

Credit risk management

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

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

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

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

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

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

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

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

Retail banking credit risk management

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

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

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

Model risk management and independent validation

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

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

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

35 Risk management continued

D. Credit risk continued

Credit risk management continued

Model risk management and independent validation continued

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

Credit approving authorities

BCIC has delegated credit approving authorities to the MCC, MIC and members of senior management to facilitate and effectively manage the business. However, BCIC has retained the ultimate authority to approve credits beyond MCC authority.

Credit risk measurement

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

Credit risk grading

The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to various categories of counterparty. Obligor and financing receivable specific information collected at the time of facility application (such as disposable income, and level of collateral for retail exposure; and turnover and industry type considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated, such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the PD between a 1A and 2A rating grade is lower than the difference in the PD between a 3A and 4A rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail:

After the date of initial recognition, for retail business, the payment behaviour of the obligor is monitored on a periodic basis to develop a behavioural score. Any other known information about the obligor which impacts their credit worthiness such as: unemployment and previous delinquency history is also incorporated into the behaviour score. This score is mapped to a PD.

Corporate and institutional Banking, Business Banking and Private Banking:

Ratings are determined at the obligor level for these segments. A relationship manager incorporates any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the obligor every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Treasury:

For financing securities (Sukuk) in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

The Group's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Group's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over the time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit-quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognized is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on Purchased or originated credit-impaired financial assets is measured on a lifetime basis.

Significant increase in credit risk
The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:
Corporate and Institutional Banking, Business Banking and Private Banking:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date.

Retail:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:
The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments.

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

Quantitative:
The obligor is more than 90 days past due on its contractual payments.

Qualitative:
The obligor meets unlikeliness to pay criteria, which indicates the obligor is in significant financial difficulty. These are instances like long-term forbearance, obligor is insolvent, obligor is entering bankruptcy etc.

Curing
The Group continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Group is observing a probationary period of a minimum of 4 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposures from Stage 3 to 2.

Measuring ECL – Explanations of input, assumptions and estimation techniques
ECL inputs (PD, EAD and LGD) are adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective profit rate or an approximation thereof.

The Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the financing receivable. The maturity profile is based on historical observed data.

The EADs are determined based on the expected payment profile, which varies by product type.
- For amortising products and bullet repayment financings, this is based on the contractual repayments owed by the obligor over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the obligor.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and other criteria's depending upon business segment. In addition, the final LGD is conditioned upon macro-economic outlook.

Forward looking economic information is also included in determining the 12 month and lifetime PD, EAD and LGD.

35 Risk management continued

D. Credit risk continued

Credit risk measurement continued

Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

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

Credit risk monitoring

Corporate and Institutional Banking, Business Banking and Private Banking: the Group's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

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

Group credit risk mitigation strategy

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

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

The risk transfer in the form of syndicated financings and risk participation agreements with other banks are globally accepted practices followed by the Group, where appropriate, to limit its exposure.

Collateral management

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

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

Please refer to Pillar 3 disclosures for additional information on collaterals.

Write offs

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

Non performing consumer financing, except for mortgage facilities and home financing, are written off at 181 days past due. All receivables remain active on the financing management system for recovery and any legal strategy the Group may deem fit to use.

E. Analysis by economic activity for assets:

The Group monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

	2023		2022	
	Financing receivables	**Others**	Financing receivables	Others
Manufacturing	**2,391,314**	**400,058**	2,614,767	323,360
Construction	**741,005**	**317,291**	768,790	315,448
Trade	**5,463,957**	**–**	5,223,456	–
Transport and communication	**604,412**	**1,223,101**	83,295	977,126
Utilities and services	**1,983,044**	**768,265**	1,479,023	561,878
Sovereign	**225,639**	**3,191,198**	793,730	1,547,220
Personal	**36,772,410**	**–**	32,609,059	–
Real estate	**4,546,094**	**–**	3,832,212	–
Hotels and restaurants	**91,565**	**–**	91,214	–
Management of companies and enterprises	**3,160,155**	**–**	3,141,246	–
Financial institutions and investment companies	**1,064,005**	**10,514,039**	1,534,385	8,193,792
Others	**3,216,041**	**184,217**	2,338,648	90,488
Total Assets	**60,259,641**	**16,598,169**	54,509,825	12,009,312
Less: Deferred Income	**(1,660,758)**	**–**	(1,428,178)	–
Less: Expected credit loss	**(4,851,146)**	**(37,353)**	(4,712,669)	(38,978)
	53,747,737	**16,560,816**	48,368,978	11,970,334

Others includes due from banks and investment securities.

F. Classification of investment securities as per their external ratings

As of 31 December 2023	**Designated at FVTPL AED 000**	**FVOCI AED 000**	**Amortised cost AED 000**	**Total AED 000**
Ratings				
AAA	**–**	**–**	**238,328**	**238,328**
AA– to AA+	**–**	**934,787**	**939,371**	**1,874,158**
A– to A+	**–**	**2,872,648**	**1,898,469**	**4,771,117**
Lower than A-	**–**	**1,811,034**	**1,390,192**	**3,201,226**
Unrated	**64,172**	**252,576**	**51,415**	**368,163**
Less: Expected credit loss	**–**	**(18,615)**	**(4,715)**	**(23,330)**
	64,172	**5,852,430**	**4,513,060**	**10,429,662**
Of which issued by:				
Governments	**–**	**540,895**	**2,650,303**	**3,191,198**
Public sector enterprises	**–**	**4,592,421**	**1,867,472**	**6,459,893**
Private sector and others	**64,172**	**737,729**	**–**	**801,901**
Less: Expected credit loss	**–**	**(18,615)**	**(4,715)**	**(23,330)**
	64,172	**5,852,430**	**4,513,060**	**10,429,662**

As of 31 December 2022	Designated at FVTPL AED 000	FVOCI AED 000	Amortised cost AED 000	Total AED 000
Ratings				
AAA	–	–	183,100	183,100
AA– to AA+	–	607,143	–	607,143
A– to A+	–	3,084,955	815,303	3,900,258
Lower than A-	–	1,988,995	210,583	2,199,578
Unrated	170,898	273,357	51,415	495,670
Less: Expected credit loss	–	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871
Of which issued by:				
Governments	–	530,383	1,016,848	1,547,231
Public sector enterprises	–	4,447,042	243,553	4,690,595
Private sector and others	170,898	977,025	–	1,147,923
Less: Expected credit loss	–	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871

35 Risk management continued

G. Risk gross maximum exposure:

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

	2023 AED 000	2022 AED 000
Deposits with Central Bank	**14,078,160**	11,508,700
Due from banks	**6,131,154**	4,614,476
Investment securities	**10,429,662**	7,355,871
Financing receivables	**53,747,737**	48,368,978
Positive fair value of Islamic derivatives	**184,173**	184,118
Customer acceptances	**1,036,534**	923,843
Other assets	**151,225**	168,568
Total (A)	**85,758,645**	73,124,554
Contingent liabilities	**7,152,749**	6,110,448
Irrevocable commitments	**2,795,524**	1,489,294
Total (B)	**9,948,273**	7,599,742
Total credit risk exposure (A + B)	**95,706,918**	80,724,296

H. Credit quality analysis:

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

AED 000 31 December 2023	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	**48,129,717**	**1,259,856**	**3,692,074**	**53,081,647**
Transfers from stage 1	**(2,178,901)**	**1,588,044**	**590,857**	**–**
Transfers from stage 2	**312,900**	**(652,413)**	**339,513**	**–**
Transfers from stage 3	**367**	**19,846**	**(20,213)**	**–**
New financial assets, net of repayments	**6,280,627**	**156,722**	**14,111**	**6,451,460**
Amounts written off during the year	**–**	**–**	**(934,224)**	**(934,224)**
Total gross financing receivables as at 31 December	**52,544,710**	**2,372,055**	**3,682,118**	**58,598,883**
Expected credit losses	**(1,264,296)**	**(275,465)**	**(3,311,385)**	**(4,851,146)**
Carrying amount	**51,280,414**	**2,096,590**	**370,733**	**53,747,737**
By business units				
Corporate Banking	**18,713,745**	**502,190**	**3,049,098**	**22,265,033**
Retail Banking	**33,830,965**	**1,869,865**	**633,020**	**36,333,850**
Total gross financing receivables	**52,544,710**	**2,372,055**	**3,682,118**	**58,598,883**

AED 000 31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	42,289,030	900,348	3,843,720	47,033,098
Transfers from stage 1	(895,846)	855,641	40,205	–
Transfers from stage 2	84,836	(355,307)	270,471	–
Transfers from stage 3	–	97,279	(97,279)	–
New financial assets, net of repayments	6,651,697	(238,105)	(71,342)	6,342,250
Amounts written off during the year	–	–	(293,701)	(293,701)
Total gross financing receivables as at 31 December	48,129,717	1,259,856	3,692,074	53,081,647
Expected credit losses	(955,482)	(274,920)	(3,482,267)	(4,712,669)
Carrying amount	47,174,235	984,936	209,807	48,368,978
By business units				
Corporate Banking	17,287,769	465,546	3,014,898	20,768,213
Retail Banking	30,841,948	794,310	677,176	32,313,434
Total gross financing receivables	48,129,717	1,259,856	3,692,074	53,081,647

The stage 1 and stage 2 are performing financing receivables having grades 1a – 4f while stage 3 is non-performing financing receivable having grades 5a – 5d.

Corporate Banking – Performing does not include any exposure against watchlist customers.

I. Amounts arising from ECL

	31 December 2023				31 December 2022			
Financing receivables	12-month ECL AED 000	Lifetime ECL not credit-impaired AED 000	Lifetime ECL credit-impaired AED 000	Total AED 000	12-month ECL AED 000	Lifetime ECL not credit-impaired AED 000	Lifetime ECL credit-impaired AED 000	Total AED 000
Balance as at 1 January	**955,482**	**274,920**	**3,482,267**	**4,712,669**	717,111	249,248	3,452,715	4,419,074
Transfers from Stage 1	**(87,730)**	**33,256**	**54,474**	**–**	(17,977)	16,763	1,214	–
Transfers from Stage 2	**20,605**	**(142,035)**	**121,430**	**–**	17,977	(58,814)	40,837	–
Transfers from Stage 3	**367**	**5,663**	**(6,030)**	**–**	–	42,051	(42,051)	–
Allowances for impairment made during the year	**375,572**	**103,661**	**1,076,834**	**1,556,067**	238,371	25,672	532,097	796,140
Write back / recoveries made during the year	**–**	**–**	**(483,366)**	**(483,366)**	–	–	(208,844)	(208,844)
Amounts written off during the year	**–**	**–**	**(934,224)**	**(934,224)**	–	–	(293,701)	(293,701)
Closing balance as at 31 December	**1,264,296**	**275,465**	**3,311,385**	**4,851,146**	**955,482**	**274,920**	**3,482,267**	**4,712,669**

The contractual amount outstanding on financing receivables which were written off during the year, and are still subject to enforcement activity amounted to AED 934 million (2022: AED 294 million).

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

The Central Bank of the UAE issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance").

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

	2023 AED 000	2022 AED 000
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	**840,801**	791,545
Less: Stage 1 and Stage 2 provisions under IFRS 9	**(1,539,761)**	(1,288,635)
General provision transferred to the impairment reserve*	**–**	–
Impairment reserve: Specific		
Specific provisions under Circular 28/2010 of CBUAE	**3,070,537**	3,253,620
Less: Stage 3 provisions under IFRS 9	**(3,311,385)**	(3,482,267)
Specific provision transferred to the impairment reserve*	**–**	–
Total provision transferred to the impairment reserve	**–**	–

*In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

K. Market risk

Market risk is the potential for adverse changes in the market value of portfolio and positions due to fluctuations in profit rates, exchange rates, equity prices, commodity prices, as well as in their correlation and implied volatility. Consistent with the Group's approach to strict compliance with Shariah rules and principles, the Group does not involve in speculative foreign exchange transactions.

The Group's market risk is managed through risk limits set by the ALCO and approved by the Board Risk Committee. Risk limits are reviewed by the ALCO on an annual basis and are monitored independently by the Market Risk unit on a regular basis, and exceptions, if any, are reported to senior management.

35 Risk management continued

K. Market risk continued

Value-at-Risk

To better capture the multi-dimensional aspects of market risk, the Group's primary market risk metric is a statistical one, Value-at-Risk (VaR), which is used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes, such as Profit Rate VaR, Foreign Exchange VaR and Total VaR

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to currency risk since the majority of the assets and liabilities of the Group are denominated predominately in either AED or in USD-pegged currencies from other GCC countries.

ii. Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effect on equity due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2023			2022		
	% Change in market indices	**Effect on net profit AED 000**	**Effect on OCI AED 000**	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000
Equity	**10**	**6,417**	**–**	10	17,090	–
Sukuk	**10**	**–**	**585,243**	10	–	592,506

L. Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This definition includes legal risks (described as exposure to fines, penalties and punitive damages resulting from supervisory actions, as well as private settlements), regulatory risks, and the risk arising from change initiatives.

Operational Risk Governance Framework

The Group applies a three line of defence model for operational risk management. The business and support units form the first line of defence. They have the primary responsibility and accountability for identifying operational risk in their areas and to promptly mitigate any issues.

The Operational Risk function as the second line of defence, provide consistent and standardized methods and tools to business and support functions for managing operational risk. The Group Operational Risk unit monitors the risk management process and compliance to the operational risk policies and procedures. It conducts independent analysis of the operational risk exposure and the bank's mitigating strategies.

Internal Audit acts as the third line of defence, provides independent assurance to the Board of Directors.

Operational Risk Management Process

The Group has set up the Operational Risk function within Risk Management Team to establish the framework and governance structure set out in the operational risk policy. The risk management process comprises mainly of the below elements:

- Risk Assessment
- Risk Monitoring and Review
- Risk Treatment
- Risk Reporting

This function develops and implements the methods for the identification, assessment and monitoring of Operational Risk throughout the Group and provides regular and comprehensive reporting on operational risks to senior management. The function supports business and other support units to monitor and manage their individual operational risks. Furthermore, the Group Operational Risk function also provides analysis and reports on operational risks to management committees (Board Risk Committee, Group Risk Committee, Local Risk Committee), and to the CBUAE as per regulations, guidelines / circulars and conducts independent oversight and monitoring of risks and mitigating measures.

Insurance Management

The Group obtains comprehensive and tailored insurance cover to protect the Group against unexpected and unforeseeable losses. Islamic insurance cover is obtained from high rated insurance companies in the international reinsurance market. The requirements for insurance are reviewed periodically and the insurance cover is aligned to changes of the Group's risk exposure.

Fraud Management
The Board and Management are determined to build and maintain a credible defence to the threat posed by fraud.

In line with the evolving banking technologies and digital landscape, management has recognized the need for greater focus on anti-fraud capabilities of the Group. As such the bank is continuously investing into advanced systems and controls for the interdiction of frauds perpetrated against the bank. The bank has increased monitoring and enhanced detective controls to manage fraud risks, which arise from new technologies and new methods of banking.

The Group has a specialized Fraud Prevention and Investigation (FP&I) team which focuses on investigation of fraud attempts against the bank, spreading fraud awareness to stakeholders, identification and mitigation of fraud risks. The team has independent reporting to Board Risk Committee.

The Group has policies and procedures in place to ensure compliance with prevailing legislation and limit risk, including the risk of fraud.

Whistleblowing
The Group is committed to the highest standards of openness, integrity and accountability in the delivery of its services. Whilst the Group has instituted a wide range of rules, regulations, procedures and codes of practice to deliver on its commitments, fraud, malpractice, abuse and/or wrongdoing may unfortunately occur.

As such, the Group as part of 'Whistleblowers Policy', provides the platform to employees for reporting of malpractices. The policy is designed to encourage employees to report suspected internal fraud and other breaches, through specified channels, while safeguarding the employee from retribution.

Cyber Security Management
Emirates Islamic considers Information and related processes, systems, and networks as an important and valuable asset. These assets are required to be protected to ensure their confidentiality, availability and integrity at all times.

The Group has established a comprehensive cyber security framework based on three line of defence model.

The framework ensures Emirates Islamic is resilient to sustain cyber security threats in an evolving and increasingly complex digital environment.

Business Continuity Management
Business Continuity Management (BCM) is defined as a "holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities."

The business continuity process across the Group is based on the international standard ISO22301:2012 (E). The BRC is responsible for providing oversight and strategy for Business Continuity Management. Business and support units are responsible to ensure appropriate Business Continuity Plans are in place and tested for their respective areas. The effectiveness of the Business Continuity Plans is monitored independently by Group Operational Risk.

M. Liquidity risk
Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

Objectives and Governance structure
The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments (under both normal and stressed conditions) can be met when due, and that access to the wholesale markets is coordinated and cost effective. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements.

35 Risk management continued

M. Liquidity risk continued

Policies and Procedures

Specifically, liquidity and funding management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow, retention and decay assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity and financing receivables to deposits ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the concentration and profile of financing maturities;
- maintaining financing plans;
- monitoring customer depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of distress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crisis, while minimising adverse long-term implications for the business.

N. Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on their carrying values:

	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Undated and Over 5 years AED 000	Total AED 000
31 December 2023						
ASSETS						
Cash and deposits with the Central bank of the UAE	**7,752,154**	**7,228,987**	**–**	**–**	**–**	**14,981,141**
Due from banks	**4,178,193**	**1,952,961**	**–**	**–**	**–**	**6,131,154**
Investment securities	**487,398**	**525,153**	**3,245,896**	**3,294,811**	**2,876,404**	**10,429,662**
Financing receivables	**17,501,091**	**7,079,331**	**9,869,542**	**6,131,770**	**13,166,003**	**53,747,737**
Positive fair value of Islamic derivatives	**1,438**	**7,639**	**65,219**	**70,299**	**39,578**	**184,173**
Investment properties	**–**	**–**	**–**	**–**	**184,806**	**184,806**
Customer acceptances	**1,036,534**	**–**	**–**	**–**	**–**	**1,036,534**
Property and equipment	**–**	**–**	**–**	**–**	**270,848**	**270,848**
Other Assets	**313,410**	**–**	**–**	**–**	**532,266**	**845,676**
TOTAL ASSETS	**31,270,218**	**16,794,071**	**13,180,657**	**9,496,880**	**17,069,905**	**87,811,731**
LIABILITIES						
Due to banks	**3,245,332**	**551,476**	**–**	**–**	**1,995,567**	**5,792,375**
Customer deposits	**51,817,180**	**7,864,275**	**857,160**	**341,848**	**434,452**	**61,314,915**
Sukuk payable	**–**	**–**	**4,672,500**	**–**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**537**	**4,697**	**60,677**	**71,912**	**40,573**	**178,396**
Customer acceptances	**1,036,534**	**–**	**–**	**–**	**–**	**1,036,534**
Other liabilities	**1,457,799**	**–**	**–**	**–**	**1,915,504**	**3,373,303**
Total equity	**–**	**–**	**–**	**–**	**11,443,708**	**11,443,708**
TOTAL LIABILITIES AND EQUITY	**57,557,382**	**8,420,448**	**5,590,337**	**413,760**	**15,829,804**	**87,811,731**
OFF BALANCE SHEET						
Letters of credit and guarantees	**3,512,997**	**1,658,880**	**1,253,999**	**287,271**	**428,821**	**7,141,968**
31 December 2022						
ASSETS	29,817,570	10,660,951	11,979,142	6,983,705	15,322,350	74,763,718
LIABILITIES AND EQUITY	49,901,540	8,545,293	2,399,086	2,336,995	11,580,804	74,763,718
OFF BALANCE SHEET ITEMS	3,244,699	1,717,218	693,514	160,289	294,728	6,110,448

O. Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice was given immediately. However, the Group expects that many customers will not request repayment on the earliest date, the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	**5,792,375**	**(5,829,167)**	**(3,264,014)**	**(569,586)**	**–**	**–**	**(1,995,567)**
Customer deposits	**61,314,915**	**(61,818,660)**	**(51,956,362)**	**(8,032,758)**	**(960,791)**	**(416,325)**	**(452,424)**
Sukuk payable	**4,672,500**	**(4,950,178)**	**(30,909)**	**(93,408)**	**(4,825,861)**	**–**	**–**
	71,779,790	**(72,598,005)**	**(55,251,285)**	**(8,695,752)**	**(5,786,652)**	**(416,325)**	**(2,447,991)**
Letters of credit and guarantees	**7,141,968**	**(7,141,968)**	**(3,512,997)**	**(1,658,880)**	**(1,253,999)**	**(287,271)**	**(428,821)**
Irrevocable financing commitments	**2,795,524**	**(2,795,524)**	**(722,383)**	**(2,055,759)**	**–**	**–**	**(17,382)**

As at December 2022	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	1,880,081	(1,889,898)	(1,138,600)	(195,647)	–	–	(555,651)
Customer deposits	56,343,655	(56,672,291)	(46,794,034)	(8,474,891)	(581,397)	(462,626)	(359,343)
Sukuk payable	3,672,500	(3,914,098)	(17,945)	(54,831)	(1,972,682)	(1,868,640)	–
	61,896,236	(62,476,287)	(47,950,579)	(8,725,369)	(2,554,079)	(2,331,266)	(914,994)
Letters of credit and guarantees	6,110,448	(6,110,448)	(3,244,699)	(1,717,218)	(693,514)	(160,289)	(294,728)
Irrevocable financing commitments	1,489,294	(1,489,294)	(1,383,827)	(94,720)	–	–	(10,747)

P. Profit rate risk in the banking book

Profit Rate Risk in the Banking Book ('PRRBB') is defined as the exposure of the non-trading products of the Group to profit rates. Non-trading portfolios include all banking book positions that arise from the profit rate on the Group's retail and commercial banking assets and liabilities, and financial investments designated as available for sale and amortised cost / held to maturity. PRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of profit rate changes.

In order to manage this risk optimally, PRRBB in non-trading portfolios is transferred to Group Treasury under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) Systems. Group ALCO is required to regularly monitor all such profit rate risk positions to ensure they comply with profit rate risk limits.

For measuring overall profit sensitivity in the banking book, the Group conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points, and assessing the corresponding impact on its net income from financing and investment products.

	As at 31 December 2023		As at 31 December 2022	
	Amount AED 000	**Variance AED 000**	Amount AED 000	Variance AED 000
Rates Up 200 bp	**3,669,155**	**422,878**	3,177,133	339,142
Base Case	**3,246,278**	**–**	2,837,991	–
Rates Down 200 bp	**2,571,000**	**(675,278)**	2,126,779	(711,212)

The profit rate sensitivities set out in the table above are based on a set scenario i.e. the projections above assume that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net income from financing and investment products of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by Group Treasury or in the business units to mitigate the impact of this profit rate risk. In practice, Group Treasury seeks proactively to change the profit rate risk profile to minimize losses and optimise net revenues.

35 Risk management continued

Q. Profit rate repricing analysis*

31 December 2023	Less than 1 month Actual	Over 1 month to 3 months Actual	Over 3 months to 6 months Actual	Over 6 months to 1 year Actual	Over 1 year Actual	Non-profit bearing Actual	Total AED 000
ASSETS							
Cash and deposits with the Central Bank of the UAE	**306,274**	**7,228,987**	**–**	**–**	**–**	**7,445,880**	**14,981,141**
Due from banks	**3,082,271**	**1,119,612**	**1,057,197**	**481,317**	**–**	**390,757**	**6,131,154**
Investment securities	**219,688**	**267,826**	**408,738**	**116,415**	**9,352,823**	**64,172**	**10,429,662**
Financing receivables	**15,961,322**	**21,062,393**	**4,236,310**	**3,863,223**	**8,624,489**	**–**	**53,747,737**
Positive fair value of Islamic derivatives	**–**	**–**	**–**	**–**	**–**	**184,173**	**184,173**
Investment properties	**–**	**–**	**–**	**–**	**–**	**184,806**	**184,806**
Customer acceptances	**–**	**–**	**–**	**–**	**–**	**1,036,534**	**1,036,534**
Property and equipment	**–**	**–**	**–**	**–**	**–**	**270,848**	**270,848**
Other assets	**–**	**–**	**–**	**–**	**–**	**845,676**	**845,676**
TOTAL ASSETS	**19,569,555**	**29,678,818**	**5,702,245**	**4,460,955**	**17,977,312**	**10,422,846**	**87,811,731**
LIABILITIES AND EQUITY							
Due to banks	**1,200,574**	**1,505,141**	**–**	**551,476**	**–**	**2,535,184**	**5,792,375**
Customer deposits	**18,990,944**	**2,715,648**	**4,220,641**	**3,643,634**	**1,633,460**	**30,110,588**	**61,314,915**
Sukuk payable	**–**	**–**	**–**	**–**	**4,672,500**	**–**	**4,672,500**
Negative fair value of Islamic derivatives	**–**	**–**	**–**	**–**	**–**	**178,396**	**178,396**
Customer acceptances	**–**	**–**	**–**	**–**	**–**	**1,036,534**	**1,036,534**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**3,373,303**	**3,373,303**
Total equity	**–**	**–**	**–**	**–**	**–**	**11,443,708**	**11,443,708**
TOTAL LIABILITIES AND EQUITY	**20,191,518**	**4,220,789**	**4,220,641**	**4,195,110**	**6,305,960**	**48,677,713**	**87,811,731**
ON BALANCE SHEET GAP	**(621,963)**	**25,458,029**	**1,481,604**	**265,845**	**11,671,352**	**(38,254,867)**	**–**
PROFIT RATE SENSITIVITY GAP – 2023	**(621,963)**	**25,458,029**	**1,481,604**	**265,845**	**11,671,352**	**(38,254,867)**	**–**
CUMULATIVE PROFIT RATE SENSITIVITY GAP – 2023	**(621,963)**	**24,836,066**	**26,317,670**	**26,583,515**	**38,254,867**	**–**	**–**
CUMULATIVE PROFIT RATE SENSITIVITY GAP – 2022	12,116	19,362,507	20,787,258	22,737,660	31,284,791	–	–

*Represents when the profit rate will be repriced for each class of assets and liabilities.

R. Reputational risk

Reputational risk is the risk of potential loss of earnings and future revenue, loss in market value or lack of liquidity supply due to deterioration of reputation. It also includes the threat to the brand value of a financial institution. It also arises due to non-compliance with Internal Shariah Supervision Committee's resolution and Fatwas while taking administrative decisions, products or executing financial products contracts.

Reputational risk can arise as a consequence of failures with a strong negative perception amongst clients, shareholders, creditors or the public. The Group has measures to ensure a positive perception of the Group and that overall risk management ensures appropriate management of reputational risk.

S. ICAAP and Stress-Testing

Stress testing is an integral part of the Group's risk management process. It includes scenario analysis and is conducted regularly. In particular, the ICAAP (a group-wide exercise spanning risk types) is performed annually. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio and branch/subsidiary level. Every stress test is documented and the results are discussed at the EXCO level and approved by the GRC and the BRC.

Stress testing alerts senior management to the Group's potential vulnerability to exceptional but plausible adverse events. As such, stress testing enable us to assess capital adequacy and identify potential risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

T. Regulatory/compliance risk
Regulatory/Compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions.

The Group has an independent Compliance function, with the necessary mandate and authority to enforce and monitor compliance on a Group wide basis. This includes compliance with the applicable laws and regulations across the various jurisdictions where the Group operates as well as those of the USD / EU clearing centres.

Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Group wide and are supplemented where necessary to address any unique local requirements. These policies are supported by automated screening and monitoring systems and associated investigation teams to help comply with the Sanctions, AML, CTF, FATCA and CRS requirements. Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

i) Shariah non-compliance risk
Non-compliance with Internal Shariah Supervision Committee's Resolutions and Fatwas while taking administrative decision, products or executing financial products' contracts, may cause a reputational risk for the Group.

The Group has permanent Internal Shariah Control Department to evaluate all existing and proposed solutions prior to presenting it to Internal Shariah Supervision Committee for approval and to conduct a periodic audit to ensure compliance with Shariah principles and rules.

U. Internal Audit's role in overall risk management
The Group Internal Audit is an independent appraisal function established by the Board of Directors to examine and evaluate the activities of the Group including all aspects of the Group Risk Management. The department is organisationally independent of all other functions in the bank. The unit is headed by the Chief Audit Officer, who is accountable to the Board of Directors through the Board Audit Committee.

The primary objectives of Group Internal Audit is to provide assurance on risks to which the Group' business are exposed, evaluate the adequacy and effectiveness of financial/operating controls and the Corporate Governance environment, assess the extent to which assets are accounted for and safeguarded from losses and conduct follow-up activities to assess and report on the degree to which management has addressed risks and compliance with action plans previously agreed.

The unit's mission is achieved through a risk based annual audit plan approved by the Board Audit Committee. A formal report is prepared at the end of each quarter which includes a summary of audit activity completed during the period and an update on the status of previously reported matters for Board Audit Committee attention.

The Board Audit Committee reviews and approves Group Internal Audit's plans and resources, and evaluates the effectiveness of the Internal Audit function. External advisers also periodically conduct an assessment of the function.

V. Environmental, social and governance (ESG) risk
The rapidly changing global landscape, marked by challenges such as climate change, the evolving expectations of our stakeholders, as well as a continuous evolution of international standards, particularly in the areas of sustainability accounting, audit and ethics necessitates a proactive approach to ESG. The Group continues to develop its approach to ESG in line with progressing standards, both regionally and globally.

Climate related risk
Climate risks relate to the financial and non-financial impacts that may arise as a result of climate change. There are two categories of climate risks: physical risks, which can arise from changes in weather and climate and transition risks which can arise from the shift to a low-carbon economy.

The Group considers climate risk as part of the broader environmental and social risks. Our strategy on climate risk is being incorporated into the Group Risk Management Framework and is guided by the three-lines of defence approach.

The Group's Board of Directors bears the final responsibility for all aspects concerning climate related risks. The Board actively participates in shaping our ESG strategy and is regularly briefed on the progress of this strategy by the Executive Committee.

Impact of climate risk on accounting judgments and estimates
At this time, the Group believes that the effects climate related risks which could arise in the short and medium term will have limited effect on accounting judgements and estimates.

35 Risk management continued

W. Risk management framework and processes at Group entities

In establishing risk management policies & processes at the Group entities level, due consideration is given to the entities' specific regulatory environment.

36 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group is party to legal proceedings and regulatory matters arising out of its normal business operations. The Group has proper controls and policies for managing legal claims. The recognition of provisions is determined in accordance with the accounting policies set out in Note 6. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2023. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2023 other than to the extent already provided.

37 Social contributions

The social contributions (including donations and charity) made during the year amount to AED 50.5 million (2022: AED 108.1 million).

38 Comparative amounts

Certain prior year comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

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