بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

2023 ANNUAL INTEGRATED REPORT

> "With a global footprint across 20 markets, First Abu Dhabi Bank is the finance and trade gateway to the Middle East and North Africa and the regional visionary pacesetter for sustainable finance."

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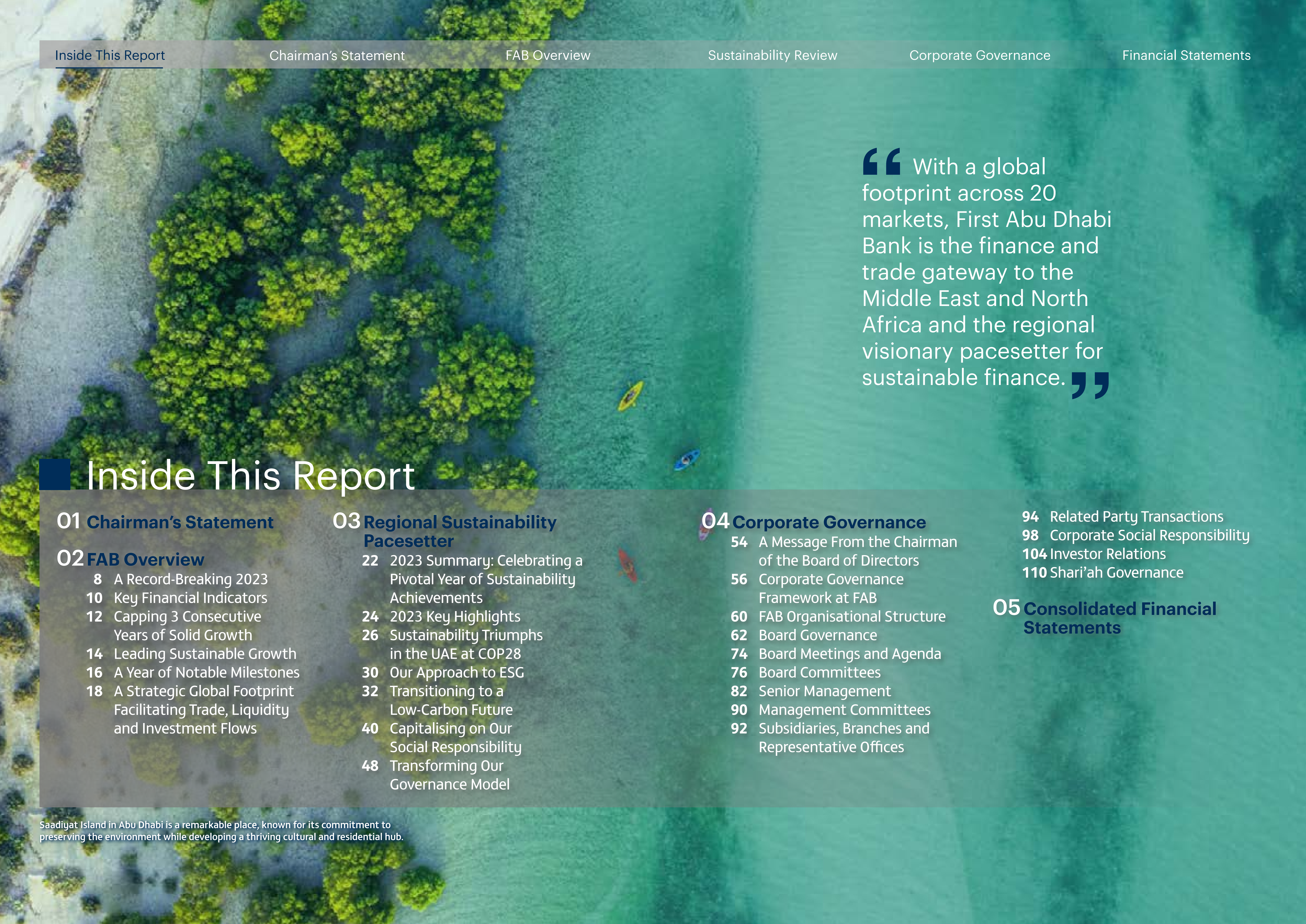


Saadiyat Island in Abu Dhabi is a remarkable place, known for its commitment to preserving the environment while developing a thriving cultural and residential hub.

Chairman's Statement

FAB is at the heart of the drive for sustainable finance, contributing to the historic achievement of COP28.

> "First Abu Dhabi Bank came through the year with a resilient and robust performance, a testimony to the strength of its fundamentals and the depth of its management skills."

7.8 AED bn
Total cash dividend

71 fils
Cash dividend per share

16.4 AED bn
Net profit

The UAE once again proved itself to be a haven of economic and financial stability, recording sound growth and an acceleration of the country's strategy for strategic diversification. Within this framework, the banking sector remains well capitalised with ample reserves of liquidity to back its ambitious expansion plans.

Against the backdrop of a more challenging global financial and economic environment in 2023, First Abu Dhabi Bank came through the year with a resilient and robust performance, a testimony to the strength of its fundamentals and the depth of its management skills.

One significant highlight of 2023 was the UAE's successful staging of the COP28 conference on climate change, at which the leadership of the country was able to demonstrate its power as a convenor on the global stage, and its determination and commitment to build a sustainable future for humanity.

FAB has been at the heart of the UAE's efforts in sustainable finance for many years and played a prominent role in the COP commitments and outcomes. Our strategic direction is clear and unambiguous: to advance FAB's position as the driver of economic and financial progress in the UAE, driving medium- and long-term value for all our stakeholders; while supporting the UAE's position as a nexus of international trade and diplomacy.

In this respect, we shall see in the current year the first fruits of the UAE membership of the BRICS trade grouping, which offers the potential to transform commercial and economic relations with our neighbours in the Middle East and in Asia.

Our task in 2024 is to consolidate and extend the bank's position as the UAE market leader, build on its strong credit rating and depth of capital resources, and enhance our strong international network to accelerate growth and become a global financial powerhouse with the strongest franchise in the region.

I am confident that this unified approach will guide us through the global uncertainties of 2024, when we will again have to navigate the vagaries of international financial and credit markets, as well as geopolitical risks.

In light of the strong 2023 performance, and in line with our firm commitment to enhance long-term sustainable value for our shareholders, FAB's Board of Directors will recommend a cash dividend of 71 fils per share for the full year ended 31 December 2023, making a total dividend payment of AED 7.8 billion, compared to 52 fils last year.

On behalf of the Board, I would like to take this opportunity to express my gratitude to the President of the United Arab Emirates, His Highness Sheikh Mohammed bin Zayed Al Nahyan, for his visionary leadership and support, as well as to His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, and Their Highnesses the Rulers of the Emirates and Members of the Supreme Council for their valued and enduring guidance.

I offer my sincere thanks to the people we serve: our valued customers and clients, our shareholders and other stakeholders, and our business partners, as well as the regulators and policymakers who facilitate our efforts.

Finally, I express my deep appreciation for the hard work and dedication of our Board, our management, and our entire workforce for their ongoing efforts to achieve FAB's strategic ambitions and targets.

Tahnoon bin Zayed Al Nahyan
Chairman

Driving Economic Growth and Bolstering the UAE as a Global Financial and Trade Hub.

FAB's outstanding performance in 2023 represents the culmination of a three-year journey of accelerated business momentum and remarkable returns as the region's financial institution of choice.

A Record-Breaking 2023

FAB's outstanding performance marks the bank's third consecutive year of improved profitability.

Strength, Quality, Resilience

FAB's balance sheet strength, high-quality risk profile, and financial resilience are among the bank's key competitive advantages.

The Largest Bank in the UAE by Total Assets in 2023, and Market Heavyweight

1.2 AED tn (USD 318 bn)
Total Assets

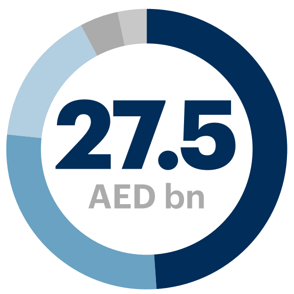
29%
UAE Market Share

154 AED bn (USD 42 bn)
Market Capitalisation

* Central Bank information as of the latest available data; assets are gross including provisions

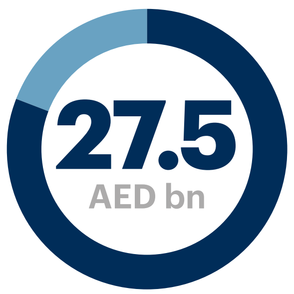
Diversified Revenue Streams

Operating Income
By Business Segment



- 44% Investment Banking
- 25% Corporate & Commercial Banking
- 14% Consumer Banking
- 4% Global Private Banking
- 13% Head Office

Operating Income
By Geography



- 81% UAE
- 19% International

Top-Ranked Regional Bank

#1 Loan Bookrunner

#1 Agent

#3 in ECM #6 DCM

* Bloomberg/ Dealogic MENA league tables as of FY'23

Among the Strongest and Safest Banks Globally

#1 in the Middle East

#5 in Emerging Markets

#31 Among Commercial Banks

*Global Finance Magazine Safest Banks Rankings, September 2023

Robust Foundation

Strongest Combined Credit Rating Among MENA Banks

Aa3 / AA- / AA-

Moody's / Fitch / S&P

with a Stable Outlook

Sustainable Shareholder Returns

81.7%

Total Shareholders Return (TSR) since April 2017

Key Financial Indicators

With strong revenue momentum, we sailed through another profitable year.

A Year of Record Profitability

FAB achieves record 2023 with AED 16.4 billion net profit.

16.4 AED bn (USD 4.5 bn) +56% YoY[1] — **Net Profit**

27.8 AED bn (USD 7.6 bn) +32% YoY[1] — **Total Income**

1.43 AED (USD 0.39) +21% YoY — **Earnings Per Share**

17.6% RoTE 15.7% in 2022 — **Return on Tangible Equity**

13.8% CET 1 12.6% in 2022 — **Basel III CET 1 Ratio**

145% LCR 154% in 2022 — **Liquidity Coverage Ratio**

34% Non-Interest Income as % Operating Income — **% Non-Interest Income**

9.4 AED bn (USD 2.6 bn) +41% YoY — **Non-Interest Income**

0.71 AED (USD 0.19) +37% YoY — **Cash Dividend Per Share[2]**

484 AED bn (USD 132 bn) +5% YoY — **Loans, Advances, and Islamic Financing**

760 AED bn (USD 207 bn) +8% YoY — **Customer Accounts and Other Deposits**

[1] On underlying basis, excluding gains on sale of stake in subsidiaries.
[2] Proposed dividends subject to shareholders' approval at the Annual General Meeting on 5 March 2024.

Capping 3 Consecutive Years of Solid Growth

We achieved diversified growth across businesses, products, geographies, and sources of income.

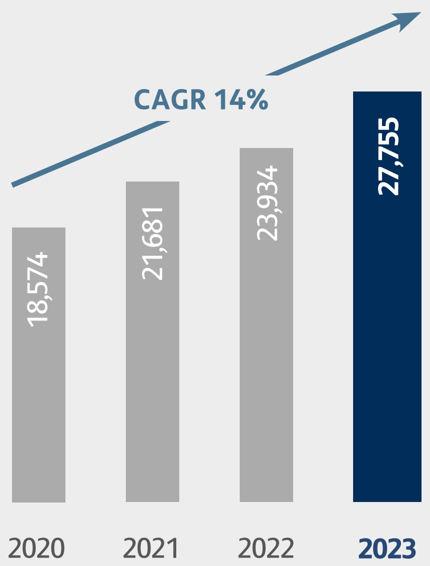
Primed for Growth

Delivering superior returns through a robust foundation.

Consistent Improvement in Revenue & Profit

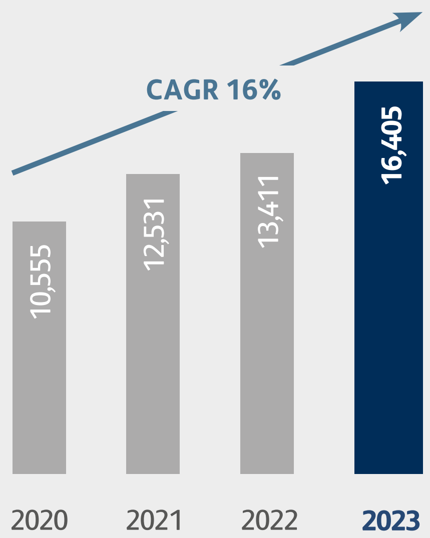
Total Income

AED mn



Net profit

AED mn



Strong Returns

	2023	2022	2021	2020
Return on Tangible Equity	17.6%	15.7%	15.2%	13.0%
Cost Income Ratio	25.9%	31.6%	26.4%	27.0%

Healthy Asset Quality

	2023	2022	2021	2020
NPL Ratio	3.9%	3.9%	4.0%	4.0%
Provision Coverage	95%	98%	101%	95%

Strong Liquidity & Capital Profile

	2023	2022	2021	2020
Liquidity Coverage	145%	154%	134%	143%
Basel III CET 1 Ratio	13.8%	12.6%	12.4%	13.3%

An Award-Winning Year

Leading Sustainable Growth

Our commitment to sustainability underscores our belief in the pivotal role of finance in propelling a low-carbon economy.

Regional ESG Champion

In 2023, FAB became the first MENA bank to set financed emissions-reduction targets for eight sectors.

1.3
AED bn
(USD 0.35 bn)
Issued in 2023
FAB's First Green Sukuk
UAE's first AED-Denominated Green issuance

11.8
AED bn
(USD 3.2 bn)
As of December 2023
Green Bonds & Green Sukuk Outstanding
42% YoY Growth

9.7
AED bn
(USD 2.6 bn)
As of December 2023
Projects Financed by Green Bonds and Green Sukuk
Across Renewable Energy, Wastewater, Green Buildings, and Other Areas

500
AED bn
(USD 135 bn)
By 2030
Sustainable Financing Pledged in 2023
+80% from FAB's 2021 Commitment & Largest by MENA Bank to Date

126.3
AED bn
(USD 34.4 bn)
In 2022 and 2023
Facilitated in Sustainable Financing
25% of FAB's 2030 Pledged Sustainable Finance Target

93
AED bn
(USD 25.3 bn)
In 2023
Facilitated in Sustainable Financing
278% YoY Growth

Regional and Global Leader in the Green Bond Market

as of December 2023

10.5
AED bn
(USD 2.9 bn)

14
Issuances

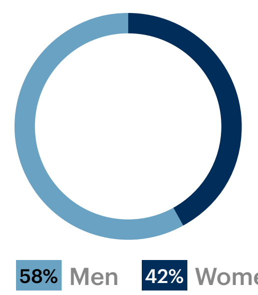
6
Currencies
(USD, EUR, CHF, CNH, HKD)

Diverse Global Workforce

as of December 2023

>6,900
Employees FTEs globally

82
Nationalities



Women make up 42% of permanent employees

A Year of Notable Milestones

2023 was an outstanding year that further cemented FAB's position as a leading global bank.

Delivering on Our Strategy

2023 represented the culmination of a three-year journey of accelerated business momentum.

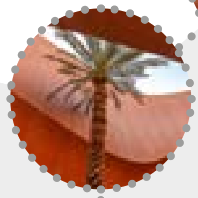
January

FAB issues five-year USD 500 mn sukuk, marking the first global sukuk issuance in 2023 priced at 90 basis points over the U.S. Treasury rate.

FAB enters into strategic partnership with Wio Bank to facilitate cash and cheque deposits for Wio Business customers through FAB's established ATM and CDM network.

FAB issues a USD 600 mn bond, marking its second USD issuance within a 10-day period and garnering overwhelming demand, with orders reaching USD 1.75 bn, representing an oversubscription of nearly 3x.

February

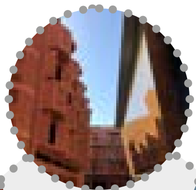


FAB, the Emirates Foundation, and the International Institute for Management Development (IMD) launch the Frontiers in Sustainability initiative, a unique executive education programme to deepen understanding of sustainability issues.

March

FAB becomes the first bank in MENA to set financed emissions-reduction targets across the highest-emitting sectors as part of its sustainable growth strategy.

In collaboration with Payit, FAB powers the UAE's first comprehensive digital wallet, the Letsgo Payit Visa Platinum Card that launched for hassle-free local and international payments.



April

FAB becomes the first registered Omnibus Account Operator with the Dubai Central Securities Depository (Dubai CSD), simplifying market access for clients.

May

Highlighting the UAE's appeal as a key investment hub, FAB hosted the well-attended UAE investment summit for Chinese companies in the Middle East.

FAB partners with Alfanar to launch a supply chain finance programme, expanding the regional trade finance presence in KSA.

FAB's inaugural AED issuance achieves multiple milestones, as the bank successfully prints the first-ever AED-denominated Green issuance in the UAE.

June

FAB successfully issues a five-year USD 600 mn green bond, marking the first of its kind issuance in 2023 from a MENA Financial Institution.

FAB co-invests with Canada's Brookfield Asset Management to support the acquisition of UAE-based payments-processing company Network International Holdings.

Euromoney names FAB as the Middle East's best bank for sustainable finance in the Euromoney Awards for Excellence 2023.

July

FAB recognised as the regional sustainability champion with multiple sustainable finance awards from Global Finance, including "Outstanding Leadership for Sustainable Finance" (regional) and "Outstanding Sustainable Financing in Emerging Markets".

August

FAB and Magnati form strategic alliance with Geidea, Saudi Arabia's leading fintech company, to revolutionise digital payment acceptance services for businesses in KSA.

September

FAB signs agreement with Aldar Properties for the sale of FAB Properties, the bank's end-to-end real estate solutions company, to Aldar Estates.

October

FAB signs MoU with Blue Carbon and Masdar for the supply of high-quality carbon credits, marking a significant step in the bank's journey to establish itself as the UAE's carbon trading hub.

FAB issues largest ever USD 1 bn Tier 2 bond from a UAE Bank.

FAB successfully completes pilot testing with J.P. Morgan's Coin Systems for blockchain-based cross-border payments.

November

FAB was the Strategic Pathway Partner of the 28th UN Climate Change Conference of Parties (COP28).

FAB becomes the world's first bank to join the COP28 Net-Zero Transition Charter, underscoring the bank's pioneering commitment to climate action, including a net zero by 2050 pledge and a target to facilitate USD 75 bn in sustainable financing between 2022 and 2030.

FAB unveils five new evergreen liquid Private Market Funds for Global Private Banking customers in collaboration with Fasanara Capital, Muzinich & Co, PIMCO, Hamilton Lane, and Partners Group.

FAB becomes first bank in MENA to publish a Task Force for Climate-Related Financial Disclosures (TCFD)-aligned climate report.

December

FAB announces that it will lend, invest, and facilitate over AED 500 bn (USD 135 bn) in sustainable and transition financing by 2030, representing an 80% increase from our 2021 target.

MoU is signed with ENGIE's Global Energy Management and Sales (GEMS) at COP28 outlining collaboration on financial decarbonisation solutions, derivatives, financing, and risk management.

FAB introduces inaugural ESG-oriented fund for Private Banking clients focusing on impactful, sustainable investments through a diverse portfolio of 17 exchange-traded funds (ETFs).

A Strategic Global Footprint Facilitating Trade, Liquidity and Investment Flows

FAB will continue to set the pace as the region's pre-eminent financial institution, and one of the world's largest and safest banks.

Strategic International Presence

FAB has presence across 20 markets to facilitate cross-border liquidity, trade, and investment flows.

65 FAB Branches in UAE (including 11 digital branches)

7 FAB ISLAMIC Branches

393 ATMs/CDMs in UAE

>6,900 Employees
Across 82 nationalities

>3 million Customers in UAE

Where We Operate

5 Continents

20 Markets

Global Presence

Middle East and Africa
UAE • Egypt • KSA • Oman
Bahrain • Kuwait • Libya • Iraq

Europe and Americas
France • UK • Switzerland
USA • Brazil

Asia Pacific
China (Shanghai & Hong Kong)
India • Indonesia • Singapore
Labuan (Malaysia) • South Korea

Redefining the purpose of banking to deliver a better tomorrow.

Regional Sustainability Pacesetter

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2023 Summary

Celebrating a Pivotal Year of Sustainability Achievements

In a year that saw the UAE proudly host COP28, we continued to make significant progress towards achieving our sustainable finance targets and reaching net zero by 2050.

"FAB became the first bank in MENA to adopt the Task Force on Climate Related Financial Disclosure recommendations."

At FAB, our unwavering commitment to sustainability underscores our recognition of finance's pivotal role in propelling a low-carbon and equitable economy.

In 2023, we continued to deliver against our goal of achieving net zero by 2050 by setting targets against our highest emitting sectors. We also, proudly, became the first bank in the MENA region to adopt the Task Force on Climate-Related Financial (TCFD) Disclosure recommendations and published the corresponding report, showcasing our progress across the four key TCFD pillars of governance, strategy, risk management, and metrics and targets. Furthermore, in alignment with the Glasgow Financial Alliance for Net Zero (GFANZ) recommendations, our Climate Transition Plan formed a key component of our TCFD report.

As the UAE's largest bank, our commitment to supporting the transition to a low-carbon future, remains a key pillar of our ESG agenda; as announced at COP28, we increased our lend, invest, and facilitate commitment by 80% in 2030, from USD 75 billion (set in 2021) to USD 135 billion in 2023.

Our dedication extends beyond financial commitments; we actively engage with a diverse set of programmes to create opportunities that would benefit our employees and clients, spanning large corporations down to Small and Medium Enterprises (SMEs).

At COP28, we announced our collaboration with the SME Climate Hub, highlighting the necessity of driving deeper action and engagement with SMEs to ensure their businesses remain resilient in a net-zero future and that they play an active role in the global effort to decarbonise in line with the Paris agreement.

We also collaborate closely with community partners to create a thriving local environment. Throughout the year, our employees volunteered a total of 27,043 hours to supporting the community in which we live and work.

ESG is seamlessly integrated into our core governance framework through dedicated committees overseeing the business linkage and implications of ESG strategy, ESG risk framework, and policy implementation. We are committed to cultivating a corporate culture that comprehends the significance of ESG matters in business, fostering collaboration and capacity building across various business lines.

This report showcases our efforts to lead the banking community to achieve the UAE's shift towards a low-carbon and sustainable economy.

2023 Key Highlights

Transitioning to a Low-Carbon Future

Green Finance

From 2022 to 2023, our sustainable financing was **USD 34.4 bn** (AED 126.3 bn)

Increased 2030 sustainable and transition finance target by 80% to **USD 135 bn** (AED 500 bn)

Total Green Bonds and Sukuk outstanding at **USD 3.2 bn** (AED 11.8 bn)

Leading Climate Response in MENA

1st bank globally to sign COP28 Net Zero Transition Charter

1st bank in MENA to publish a **TCFD report**

Published the bank's **1st Principles for Responsible Banking (PRB) report**

Portfolio Decarbonisation

- Founding member of UAE Carbon Alliance
- Set net-zero targets for sectors that cover 90% of our financed emissions

Capitalising on Our Social Responsibility

Financial Inclusion

Supported SMEs with **AED 3.3 bn** in new lending

Collaborated with **COP28** Presidency, Masdar, and Abu Dhabi Chamber to deploy the SME Climate Hub

Empowering Workplace

Emiratisation rate at **44%**, progressing towards our target of 50% by 2026

75% of employees participated in FAB Wellness Programme*

20% of senior leadership positions are held by women

Social Responsibility Efforts

- **27,043 hours** volunteered by staff to our community
- Partnered with Archireef to commit to the deployment of **100 square meters** of Reef Tiles and restore UAE coral reef habitats

*FAB Wellness is the bank's internal wellness programme that promotes activities that ensure the physical and mental well-being of all employees across the bank.

Transforming Our Governance Model

ESG Risk and Ratings

Rolled out **ESG risk assessments** to cover all corporate clients

Received best **Refinitiv ESG score** in the Middle East **(top 10% worldwide).**

Stood among high-rated in **MENA banks by MSCI**

Training & Capacity Building

99% of all employees completed ESG Risk Awareness Training

Launched bank-wide **Carbon Literacy Programme**

Launched **Frontiers in Sustainability** Executive Education Programme

FAB as Strategic Pathway Partner of COP28

- Hosted **73** expert panel sessions and **18** roundtables
- Sessions attended by over **5,000** (in person and virtual)
- More than **300** global thought leaders shared their perspectives

Sustainability Triumphs in the UAE at COP28

The UAE paved the way at COP28

2023 was declared as the "Year of Sustainability" in the UAE, and the nation achieved a historic milestone by securing the COP28 presidency. COP28 is noted as one of the most relevant UNFCCC Conference of Parties to date.

Among many ground-breaking initiatives and COP firsts such as a pledge to triple renewable energy capacity, a decision on the lost and damage fund to assist the Global South, the inclusion of actors traditionally left out of the conversation, a sustainable finance push, the first-ever health day and a trade day, one milestone was particularly relevant.

The world welcomed a landmark decision in which nearly 200 countries pledged to move away from fossil fuels, a breakthrough that came in the waning hours of the UN Climate Change Conference.

As a testament to the UAE's commitment to a sustainable future, the nation led the charge in renewable energy initiatives, spearheading ambitious projects to triple global renewable capacity by 2030.

The banking sector played a pivotal role in this transformative journey, aligning seamlessly with the UAE's Net Zero by 2050 ambition and energy diversification strategy.

Local banks actively embraced sustainability, launching frameworks, financing major renewable projects, and contributing to environmental campaigns, thereby becoming instrumental partners in the national effort to combat climate change.

Their involvement underscored the synergy between financial institutions and the broader sustainability goals of the UAE.

FAB's strategic partnership at COP28, a vision for sustainability

FAB was proud to be a strategic pathway partner of COP28; a partnership that represented an integral part of the UAE's vision to support a sustainable future, as well as the bank's broader growth strategy and its sustainability priorities.

As part of its COP28 sponsorship, FAB took part in a series of engagements and thought leadership initiatives throughout the summit. The FAB Pavilion at COP28 hosted expert panel sessions, roundtables, and other events, featuring more than 300 global thought leaders in daily sessions that were also livestreamed online.

Our approach to COP28 was defined by our six-point COP28 agenda (see next page).

Strategic Pathway Partner

FAB's six-point COP28 agenda

1 Accelerating sustainable finance and advancing the UAE's development as a green finance hub

FAB is committed to driving sustainable finance initiatives, fostering economic development through green investments, and positioning the UAE as a regional hub for sustainable finance.

2 Supporting clients and partners with the transition to net zero

Recognising the importance of transitioning to a net-zero economy, FAB pledged support to clients and partners in adopting sustainable practices and reducing their carbon footprint.

3 Growing ESG awareness and adoption among SMEs

FAB prioritised raising ESG awareness among SMEs to support the integration of sustainable practices into their business models.

4 Advancing effective carbon markets through production, innovation, and knowledge transfer

FAB contributed to the development of effective carbon markets by fostering innovation in production processes and facilitating the transfer of knowledge related to carbon reduction strategies.

5 Advocating for the restoration of natural ecosystems and biodiversity

Recognising the importance of biodiversity, FAB advocated for and actively contributed to initiatives focused on the restoration of natural ecosystems, aligning with global efforts to preserve biodiversity.

6 Empowering individuals for positive environmental action

FAB is committed to empowering individuals at all levels to take positive steps towards environmental action. The bank seeks to inspire a sense of responsibility and activism for a sustainable future.

Key achievements at COP28: a resounding success

The outcomes of COP28 set a strong precedent for global collaboration and sustainable development in the years to come. FAB successfully illustrated its regional leadership during COP28 through its strong credentials, significant cross-stakeholder engagements, and substantial commitments. Some of the key highlights included:

Becoming a signatory of the COP28 Presidency's **Net Zero Transition Charter** and joining the **Sustainable Market Initiative – Circularity Taskforce**

Expanding our transition finance commitment by **80%** to **AED 500 bn** (USD 135 bn), covering **50% of the commitment** made by the UAE Banking sector

Launching the **SME Climate Hub** Campaign to ensure that **SMEs remain resilient in a net-zero future**

Hosting **73** panels, **18** roundtables which saw attendance (both virtually and in-person) by **over 5,000** individuals

7 MoU announcements with Engie, Paymate, Emirates Steel Arkan, ACWA, Tabreed, Mastercard PPC, and the Emirates Foundation to support the transition to a low-carbon and sustainable economy

Our Approach to ESG

We remain committed to the delivery of our ESG strategy through three main pillars:

Transforming Our Governance Model

Committing to the highest standards for ESG accountability, transparency, and risk management.

This pillar outlines FAB's approach to a governance model, including identifying incentives linked to ESG and responsible use of data.

- **ESG KPIs** and **performance** disclosure
- **Remuneration incentives** linked to ESG
- **Whistleblower** policies and processes
- ESG-driven **governance structures**
- Embed **ESG risk framework**

Transitioning to a Low-Carbon Future

Becoming the model for sustainable finance in the MENA region and acting in partnership with our stakeholders to accelerate the transition to a net-zero society and economy.

This pillar outlines FAB's approach to net zero transition, climate resilience, and a circular economy.

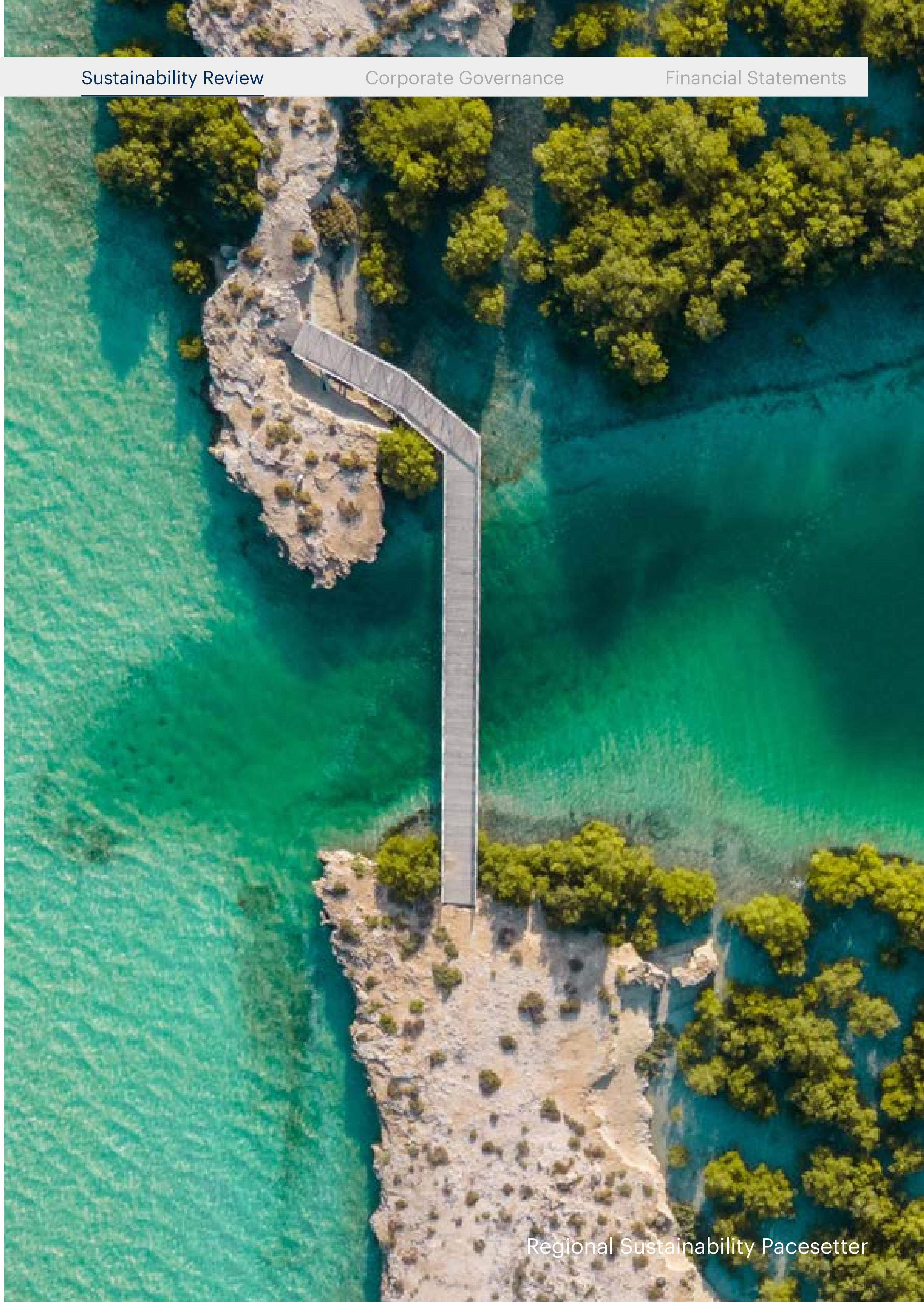
- UAE's regional leader in **sustainable finance**
- Embedding **ESG as part of vendor sourcing**
- **Carbon intensity** reduction
- Energy mix with **renewable sources**

Capitalising on Our Social Responsibility

Expanding access to financial services for all, underbanked groups in particular, and fostering a diverse, inclusive, and equitable organisation.

This pillar outlines FAB's approach to social responsibility, including diversity, women's empowerment, education, and financial inclusion.

- **Diversity, equity, and inclusion** across the bank
- **Gender diversity** embedment
- **Emiratisation** focus
- **Strategic focus on financial inclusion**
- Drive **social responsibility efforts**



Transitioning to a Low-Carbon Future

Our Net-Zero Pledge

Our vision to foster sustainable economic growth is aligned with the UAE's 2050 strategic initiatives for Net Zero. We are signatories to the Net Zero Banking Alliance (NZBA) and the Partnership for Carbon Accounting Financials (PCAF). As an active member of these initiatives, we are continuously engaging with our clients to achieve our emission-reduction targets by 2030, covering over 90% of our financed emissions. We are currently working with our highest emitting clients to understand and support their transition plans and net-zero journeys.

Our Sustainability Journey and Transition to Net Zero

2010

First Sustainability Report published by FAB (previously NBAD).

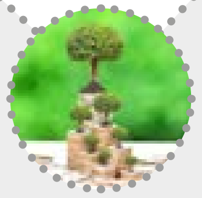
2015

FAB becomes the first and only UAE bank to be a signatory to the Equator Principles.

2016

Committed to lend, invest, and facilitate AED 36.7 bn (USD 10 bn) by 2026 to sustainable activities.

2017



First MENA bank to issue a Green Bond.

2019

Committed to implement the recommendations from of the TCFD.

FAB became a signatory to the Abu Dhabi Sustainable Finance Declaration.

2020

Facilitated AED 128.5 bn (USD 35.8 bn) of sustainable financing between 2015 and 2020.

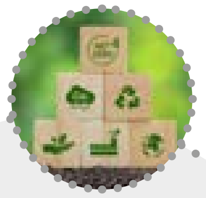
2021

Group ESG strategy finalised and approved.

FAB became a signatory of the NZBA.

Target to lend, invest, and facilitate business of USD 75 bn by 2030.

Facilitated USD 11.3 bn in sustainable finance.



2022

Set baseline for financed emissions for net zero pathway.

Facilitated AED 33.4 bn (USD 9.1 bn) of sustainable finance.

Became a signatory to the PCAF.

2023

Implemented TCFD recommendations and published first TCFD report.

Applied emission-reduction net-zero targets to eight high-emitting sectors within loan portfolio (representing 90% of financed emissions).

Ceased new financing for coal-fired mining and coal-based power generation.

New target to lend, invest, and facilitate sustainable or transition projects: USD 135 bn (AED 500 bn) by 2030.

Facilitated USD 25 bn of sustainable finance projects.

Strategic pathway partner to COP28.

COP 28 UAE 2023

2030

Reduction of carbon intensity for high ESG risk sectors.

Finance/Facilitate USD 135 bn in sustainable or transition projects.

Achieve net zero from own operations (Scope 1 and Scope 2).

2050

Net-zero carbon emissions.

Our Net-Zero Journey

Reducing the impact of our own operations

In solidifying our climate pledge, we have established targets to attain net-zero operations by 2030.

Helping us achieve these targets is our Net Zero Carbon Roadmap, with implementation underway and mitigation activities set to commence in 2024. The roadmap was developed in partnership with a globally recognised expert consultancy, and our baseline emissions was set for 2019. The roadmap will support us in:

1. Improving carbon emissions monitoring
2. Reducing Scope 1 and 2 emissions through decarbonisation levers
3. Addressing material Scope 3 categories

The Net Zero Carbon Roadmap focuses on four levers, which we intend to implement to reach net zero operations by 2030:

Energy efficiency	Adopting efficient solutions for data centres' cooling systems will be key in reducing our refrigerant fugitive emissions.
Renewable energy	When available in our main markets of operation (UAE and Egypt), we intend to source renewable electricity through Clean Energy Certificates. At our UAE sites, we are targeting 100% renewable electricity by 2030.
Fleet electrification	We plan to launch a fleet electrification initiative, transitioning up to 100% of our leased and owned company cars in the UAE and Egypt to electric vehicles.
Carbon offsetting	For our emissions that will not be abatable, we intend to source carbon credits from reliable organisations supporting high-integrity sustainable projects.

As part of our operational decarbonisation roadmap, we monitor our greenhouse (GHG) emissions across scopes 1, 2, and 3, and we also monitor the progress we are making towards achieving net zero emissions by 2030.

We closely monitor the evolving international guidelines and emission calculation methodologies, which inform our data collection process and GHG accounting, for improvements in the accuracy of emission factors and operational and organisational boundaries of input data. In line with this approach, the assessment for 2023 has been revised to reflect updates and alignment with the GHG Protocol to ensure that we present accurate performance measurement. Accordingly, we have also revised our respective emissions footprint for the year 2021 and 2022 to enable comparability with previous reported years.

Updates related to the emission assessment methodologies include:

Scope 1 emissions:
As quality data covering specific refrigerants within our operations had become feasible for use, we have updated the respective global warming potential factor and reflected this change in the emission data for 2022.

We have also received updated input data points from our operations in Egypt, which are now part of our organisational boundary and therefore also our GHG inventory.

Scope 2 emissions:
We have referred to the latest electricity emission factors applicable across our global locations and updated the same in our calculations for the year 2021 and 2022. This update is informed from the datasets of the International Renewable Energy Agency (IRENA). IRENA is considered a leading global intergovernmental agency for energy transformation, and going forward, we will use its emission factor database (applicable as of 2021) to cater to our calculations for various regions.

Scope 3 emissions:
As we work towards increasing the quality of our GHG emissions management and disclosure transparency, we have expanded the consideration of our scope 3 emissions to include the following categories of the GHG Protocol since 2021:

- Category 1: Purchased goods and services
- Category 5: Waste generated in operations
- Category 6: Business travel

Operational emissions performance

Total GHG emissions intensity per FTE decreased by 22% from our 2019 baseline

Scope 1 emissions lower by 42% from our 2019 baseline

Total emissions summary

In 2023, our GHG emission intensity per full-time employee (FTE) (a representative metric we use to reflect the emission generation relative to the scale of our organisation) decreased by 26% against our baseline year of 2019, highlighting a further reduction of 5% from 2022.

However, we note that we saw a limited decrease in our total absolute emissions against the baseline year of 2019, 1%, due to the bank's growth strategy, which included the acquisition of Bank Audi in 2022 and other assets across our key markets.

Scope 1
Our absolute scope 1 emissions have decreased significantly when compared with the 2019 baseline, recording a 42% decrease. Our performance stalled in 2023, when compared to 2022, due to a refrigerant leak (Q2, 2023) in one of our UAE assets. To resolve the matter, our facilities team addressed the leak with urgency, and they have taken the necessary remedial measures to ensure that this remains an isolated incident.

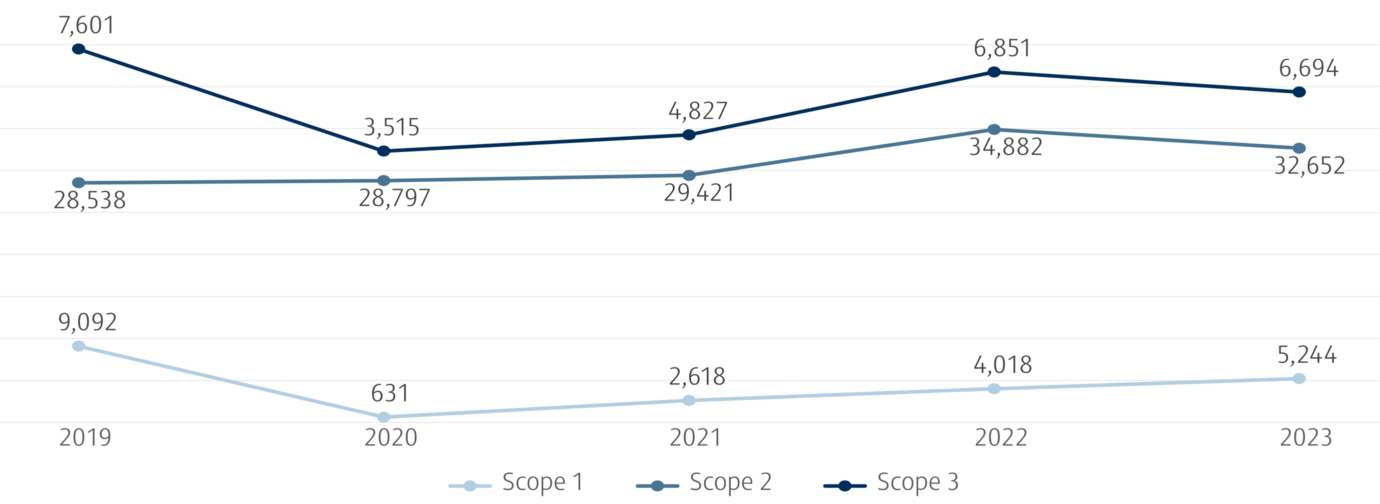
Furthermore, our operating subsidiary in Egypt conducted an extensive preventative maintenance plan covering all cooling devices across our branches. In particular, additional refrigerant cylinders were purchased, ahead of the hot summer months, to mitigate any potential down-time that translated into higher emissions for the 2023 year. However, in alignment with our net-zero target, the facilities management team in Egypt have put in place the necessary plans to begin replacing low-performance devices with new efficient ones in 2024.

1. SBTi – Science Based Targets Initiative. NGFS – Network for Greening the Financial Sector.
2. IAI – International Aluminium Institute.
3. IEA NZE – International Energy Agency Net Zero Emissions by 2050.
4. CRREM – Carbon Risk Real Estate Monitor.

Scope 2 and 3

We continue to make progress on our scope 2 and scope 3 emissions, which decreased by 6% and 2%, respectively, in 2023 compared with 2022.

Emissions	Unit	Scope	2019	2020	2021	2022	2023
Scope 1	tCO_2e	UAE and Egypt	9,092	631	2,618	4,018 [1]	5,244 [2]
Scope 2	tCO_2e	UAE and Egypt	28,538	28,797	29,421 [3]	34,882 [3]	32,652
Scope 3	tCO_2e	UAE and Egypt	7,601	3,515	4,827	6,851	6,694
Total GHG Emissions[4]	tCO_2e	UAE and Egypt	45,231	32,943	36,866 [5]	45,751 [5]	44,590
GHG Emissions Intensity (Scope 1 and Scope 2)	tCO_2e/FTE	UAE and Egypt	6.90	5.82	6.3 [6]	5.75 [6]	5.49



Scope 1, 2, and 3 GHG emissions over the years 2019–2023

[1] Scope 1 emissions reported in FAB 2022 ESG report were restated as part of this report to account for new input data due to the acquisition of Bank Audi in Egypt and the update of refrigerants GWP as per the GHG Protocol.
[2] Normalised total scope 1 emissions, excluding emissions due to the refrigerant leak. Total scope 1, including the leak, is 6,042 tCO_2e.
[3] Restated scope 2 emissions as a result of using location-specific grid emission factors from the International Renewable Energy Agency (IRENA), applicable as of 2021.
[4] GHG calculations for scopes 1,2, and 3 (excluding financed emissions) are based on the Greenhouse Gas Protocol, Corporate Accounting and Reporting Standard (Revised Edition). Emission Factors References: DEFRA 2022 Emission Factors, International Renewable Energy Agency (2021).
[5] Restated data due to enhanced calculation methodology.
[6] GHG emissions intensity: the emission rate in metric tonnes of CO_2e emissions per FTE.

Our Net Zero Journey: a focus on financed emissions

In March 2023, we announced our emission reduction targets for our high-emitting sectors in our portfolio for oil and gas, power and energy, and aviation, underlining our dedication to lowering both financed and operational emissions.

In November 2023, we expanded this commitment to include five additional sectors: agriculture, aluminium, cement, commercial real estate (CRE), and steel. The eight sectors combined account for approximately 90% of FAB's financed emissions. Our target-setting processes adhered to science-based and sector-specific methodologies in alignment with NZBA and PCAF standards. In order to gain a broader perspective, kindly access our reports: "FAB'S PATHWAY TO NET ZERO Wave 1" and "FAB'S PATHWAY TO NET ZERO Wave 2".

Sector	Scope	Metric	Baseline*	2030 Reduction Target
Oil and Gas	Scopes 1, 2, or 3	$MtCO_2e$ per EJ	63	-7% to -15% (53 to 59)
Power	Scopes 1 and 2	gCO_2 per kWh	460	-64% (165)
Aviation	Scopes 1 and 2	gCO_2e per pkm	83*	-15% (71)
Agriculture	Scopes 1, 2, and 3	$ktCO_2e$ per m$ of client revenue	1.68	-35% to -45% (0.92 to 1.09)
Aluminium	Scopes 1 and 2	tCO_2e per t of aluminium	8.1	-32% (5.5)
Cement	Scopes 1 and 2	tCO_2e per t of cementitious material	0.75	-25% (0.57)
CRE	Scope 1, 2 or 3	$ktCO_2e$ per m^2	138	-45% to -55% (62 to 76)
Steel	Scopes 1 and 2	tCO_2e per tonne of crude steel	2.01	-26% to -32% (1.36 to 1.47)

*The aviation sector is measured against a 2019 baseline due to the impact of COVID-19 on air travel. All other sectors have a baseline year of 2021.

We continue to actively enhance our strategies to mitigate climate change impact across our operations, client engagements, and the wider ecosystem. Throughout 2023, we worked with key target sectors to discuss and support their decarbonisation efforts. For example, for the aviation sector, we led discussions at the aviation summit and hosted workshops during the Abu Dhabi Sustainable Week (ADSW), focusing on fostering the widespread adoption of sustainable aviation fuel (SAF), working towards limiting emissions within the aviation sector.

In 2023, we hosted an event for the aviation sector value chain, focusing on the sustainability journey of the sector. The agenda addressed three key themes:
(1) Global aviation net-zero agenda
(2) Aviation in the region and the pathway to net zero (including discussions on major levers and financing the transition)
(3) Practical approaches and solutions to decarbonise the aviation value chain

Complementing this event, FAB published a special report, Realising Net Zero Ambitions: A Game Plan for UAE Industries, which delved into the journey to net zero for key industries to realise UAE Nationally Determined Contributions (NDC) ambitions. This effort was further reinforced through a programme of dialogue with clients and industry stakeholders during COP28, featuring panels and roundtables.

Our approach will continue to include ongoing dialogue and support for clients to implement mitigation measures, utilising finance to bridge the gaps in their decarbonisation efforts. We have identified sector-specific levers and essential green technologies to assist clients in achieving their decarbonisation goals. Specifically, we plan to use the following levers to achieve our 2030 targets:

- Engaging with clients to support them in their decarbonisation journey;
- Financing low-carbon technologies, such as solar, wind, green hydrogen, ammonia projects, and carbon capture utilisation and storage technologies (CCUS).

Financing Our Transition to a Low-Carbon Future

At COP28, we solidified our leading position in the MENA region's sustainable finance market by pledging AED 500 billion (USD 135 billion) towards sustainable and transition finance by 2030; a commitment that encompasses lending, investments, and the facilitation of funds towards sustainable initiatives. This is the largest regional initiative of its kind by a bank that is inclusive of financing for transition projects and innovative early-stage climate solutions.

From 2022 to 2023, we facilitated USD 34.4 billion (AED 126.3 billion), and in 2023, we facilitated USD 25.3 billion (AED 92.9 billion), which included three solar and four wind energy projects.

Addressing Climate Change

Our TCFD disclosure delivers on our 2019 commitment to address climate change by adopting TCFD recommendations into our processes and disclosures. In line with these recommendations, in 2021, the bank ran climate stress tests for relevant regulatory regions it operates in on a voluntary basis. We further expanded our analysis of the impact of climate transition risk on our Group non-retail portfolio in 2022 and presented sector-level expected credit loss forecasts to our board and senior leadership.

In 2023, the bank conducted a climate risk scenario analysis on its non-retail portfolio as part of the Central Bank of the United Arab Emirates' (CBUAE) annual bank stress test exercise. The bank also integrated climate risk as part of its internal risk taxonomy, demonstrating a commitment to further embed climate risk across enterprise risk categories.

Emissions intensity reduction targets were set across eight of our high-emitting sectors, covering approximately 90% of our portfolio emissions, this was done to pave the way for our high-level transition plan, included in the TCFD report.

Our GFANZ-aligned transition plan specifies our sector-by-sector levers for achieving our decarbonisation targets, our own operations' net-zero plan, and how we are assisting our clients in their transition towards tackling climate change.

We are working to develop a physical risk methodology and sourcing relevant data. We are also developing a stand-alone climate risk policy and establishing a roadmap to further integrate climate into traditional risk categories and risk management processes in line with the CBUAE's climate risk management guidelines published in November 2023. We are also working with our highest emitting clients on their transition plans and net-zero journeys.

In the MENA region, our engagement in the green bond market is centred on projects that promote the development of renewable energy and sustainable finance products. 2023 was also the year in which we issued FAB's first green Sukuk (AED 1.3 billion), and the UAE's first AED-denominated green issuance. Furthermore, we actively contribute to regional initiatives by sharing climate scenario analysis with the CBUAE.

Capitalising on Our Social Responsibility

At FAB, our focus is on the well-being and engagement of our customers, employees, and the broader community. For our customers, this entails ensuring our financial services are accessible to all segments of the population and our processes are transparent and fair.

Internally, our commitment extends to providing a supportive, diverse, and inclusive workplace through various well-being policies and initiatives. Lastly, at the community level, we actively invest in initiatives that contribute to societal development, environmental restoration, and community resilience.

SME engagement

SMEs make up 90% of all businesses in the MENA region , contributing to a significant part of the region's economy. We recognise that SMEs have an integral role to play in accelerating the MENA region's transition to net zero. As such, in 2023, FAB supported SMEs with AED 3.3 billion in new financing, demonstrating a steady increase from the previous year's AED 2.8 billion.

The SME Climate Hub

We play an active role in the SME Climate Hub, launched in 2020 by the We Mean Business Coalition. The Hub is the only UN-backed SME platform accrediting SMEs as Race to Zero members. The Hub is designed specifically to support SMEs ramp up their climate action efforts, to ensure that their businesses remain resilient in the face of climate-related challenges and a net-zero future.

The SME Climate Hub was adopted by the COP28 Presidency as the first Race to Zero campaign, with Masdar placed as a campaign partner and FAB a campaign supporter through to August 2025.

This campaign is centred around recruiting SMEs and having them commit to halving their emissions by 2030 and becoming net zero by 2050. SMEs will be expected to share their progress annually. Upon joining, SMEs will gain access to resources and tools that will support their net-zero transition strategies in an effort to speed up global decarbonisation efforts.

Diversity and inclusion at the workplace

We believe that diversity and inclusion are not just a social imperative but a driver of innovation and excellence. Our employees represent 82 nationalities, and we are advancing our efforts towards the Gender Acceleration pledge made with the UAE's Gender Balance Council in 2022 with targets to achieve 40% women in senior leadership by 2030.

At Group level, FAB female employees represent 42% of our permanent employee population, and 20% of senior leadership roles are held by women. Our efforts to achieve gender balance include, but are not limited to, ensuring fair hiring practices, providing equal opportunities for training and development, promoting fair and balanced promotions, and providing increased flexibility for work-life balance and parental leave beyond that of what is required.

We proactively review and update our Emiratisation policies and initiatives to ensure alignment with our business practices and the country's larger socio-economic vision. We conduct customised development programmes for our Emirati staff, such as the Ethraa programme for fresh graduates' development, through which we have recruited 300+ fresh graduates in the last three years. As of 2023, Emiratis comprise 44% of overall employees out of a 50% target by 2026 (our target was updated in line with the CBUAE's guidance) and 27% of senior management.

We are committed to fostering a culture of respect and dignity across our business operations and supply chain. We have zero tolerance towards any violation of human rights and discriminatory behaviours.

Our Group Code of Conduct and additional policies, such as the Anti-Bullying and Harassment Policy, the Group Vendor Management Policy, and a statement on Modern Slavery, clearly articulate our stand against these practices. These policies also ensure compliance with the applicable labour laws and regulations.

82	20%	42%
Nationalities	Women in senior leadership positions	Women employees at FAB Group

Products and initiatives supporting our financial inclusion goals

Visa's She's Next	2023 was the second year that we partnered with Visa to launch the She's Next Campaign, a global advocacy programme that supports female-owned small businesses through funding, training, and mentorship. This popular programme received 880 applicants across the GCC, representing a wide range of sectors that include textiles, education, food and beverage, beauty and wellness, and professional services. The programme provides the winner a USD 50,000 grant and a year of business coaching from the International Trade Centre (ITC), a United Nations and World Trade Organisation agency. The business coaching is provided by the ITC SheTrades Initiative, ITC's flagship women and trade programme.
Ratibi Prepaid Payroll Card	Ratibi is one of FAB's key initiatives under the financial inclusion umbrella. The product is aimed at banking the unbanked and providing them with a salary card to receive, save, and spend their monthly wages securely without needing to maintain a minimum balance. Since 2006, FAB has issued over 2.1 million Ratibi payroll cards. Ratibi customers can enrol for Payit and get access to financial products, such as domestic transfers, utility bill payments, remittances, and Money on Demand.

FAB Future Business Leaders competition

At COP28, we announced the winner of our flagship ESG competition for university students: the Future Business Leaders competition. This initiative was first launched in 2022 as a part of our ESG strategy to assist the UAE in its aim to transition into a knowledge-based economy. The competition requires university students to outline the role of businesses in the national and global sustainability agenda. In 2023, we had over 10 UAE universities participate, and the top three candidates were shortedlisted for a panel discussion at COP28 on the role of youth in accelerating the sustainability agenda. Additionally, the three candidates will receive an internship with the bank, along with cash prizes, career coaching, and exposure to the senior leadership at FAB to understand the inner workings of a bank. This initiative demonstrates our commitment to the younger generation and the role we hope they will play in shaping a sustainable future.

Frontiers in Sustainability

The Frontiers in Sustainability initiative is a collaborative effort undertaken by FAB in 2023 in partnership with the Emirates Foundation and the International Institute for Management Development (IMD). The programme is aimed at enhancing corporate leaders' understanding of sustainability issues as a fundamental part of holistic business transformation, aligning with the UAE's ambitious 2050 net-zero target. This initiative, particularly designed for senior leaders and C-suite executives from UAE private and governmental entities across sectors, helps create a baseline understanding of sustainability and provides a platform for participants to learn from leading experts and peers.

In 2023, two cohorts were established for the Frontiers in Sustainability initiative, with 25 participants in Cohort 1 and 20 participants in Cohort 2. Each cohort underwent a comprehensive programme involving four modules over 12 days, fostering in-depth exploration and learning. Additionally, the initiative organised two COP28 simulations, engaging over 100 participants in total.

Community investments, engagements, and partnerships.

At FAB, we work closely with our partners to create a thriving and inclusive local community where everyone feels valued. Throughout the year, our employees volunteered a total of 27,043 hours to support the community in which we live and work. Our engagements reflect our promise to foster a connected and resilient local community. Some of these initiatives have been highlighted below.

> "Employees volunteered a total of **27,043** hours to support the community."

Empowering inclusion

We supported the Emirates Association of the Visually Impaired in organising the 17th Emirates Championship of the Blind – Goal Ball. Through our sponsorship and active involvement, we contributed to the empowerment of individuals with visual impairments.

Supporting the ecosystem with mangrove planting

In line with UAE's Planting week, we conducted an awareness sessions on the importance of the Ajman mangroves and the crucial role they play in our ecosystem. More than 160 volunteers then kayaked and planted 200 mangrove trees.

Cleaning our oceans

FAB sponsored 25 staff members to attain PADI certification, engaging in multiple plastic clean-up campaigns across the UAE. On the World Environmental Day, our 20 certified divers dedicated 100 volunteering hours to the waters of Lulu Islands in Abu Dhabi, removing over 100 kg of debris, including glass bottles, plastic, cans, fishing lines, and buoys. On Coastal Cleanup Day, 15 certified divers invested 82 volunteering hours at Dibba Al Fujairah Port, responsibly discarding more than 89 kg of marine debris.

Promoting justice

At FAB, we are dedicated, alongside the Himaya Foundation, to making a meaningful impact, and we are honoured to support the mission to assist women subjected to domestic violence. Our commitment included covering court fees, ensuring that these brave individuals have the necessary resources to seek justice and rebuild their lives.

FAB kicks off the month of reading with a book fair at the head office

In March, we supported the UAE's Month of Reading initiative in line with the Ministry of Culture's vision to encourage reading. FAB supported several initiatives aimed at raising awareness and encouraging individuals and families to read. A book fair was organised in Abu Dhabi Head Office to allow staff and customers to buy books and enjoy reading.

Making a difference to families in need

During the Holy month of Ramadan, FAB launched its special and inclusive Ramadan campaign, which provided 3,000 volunteers a chance to give back to the community; they spent 6,000 volunteering hours for activities across 30 days of Ramadan throughout the UAE in Abu Dhabi, Dubai, Ajman, Ras Al Khaimah, and Fujairah.

Promoting inclusive activities

In collaboration with the Zayed Charitable and Humanitarian Foundation, we conducted a workshop for people of determination, highlighting the importance of Earth Day. During the workshop, the children learned about the importance of organic gardening and were taught about planting flower and vegetable seedlings.

Supporting low-income families

FAB collaborated with the Mohammed bin Rashid Housing Establishment to equip 20 low-income families with essential home necessities.

Promoting sustainable housing for refugees in Jordan

The project is under the patronage of Her Highness Sheikha Shamma bint Sultan Al Nahyan, Director of the UAE Independent Climate Change Accelerators (UICCA) and the Founder of the Shamma bint Sultan Sustainability Initiatives. The housing complex consists of 25 units, made of eco-friendly palm wood and powered by solar energy. The units have been manufactured in the UAE and are currently being dispatched to the Emirati Jordanian Refugee Camp in Mrajeeb Al Fhood.

Mastercard, the Priceless Planet Coalition

FAB announced its support for the Mastercard Priceless Planet Coalition (PPC) and an exclusive co-hosted experience in the FAB showcase space. During COP28, visitors to the FAB pavilion calculated their carbon footprint to see the impact they have on the environment.

Restoring marine ecosystems

FAB and Archireef, which specialises in degraded marine ecosystems, formed a partnership to engage retail customers in nature-based solutions to mitigate climate change and impact on marine life in our home waters of the UAE FAB sponsored four marine biodiversity workshops for children at the FAB Pavilion at COP28.

Easing cancer patients' financial burden

FAB joined forces with the Rahma Cancer Patient Care Society to alleviate the financial strain on cancer patients by covering their fees. Together with the Rahma Society, we strive to make a positive impact on the lives of individuals affected by cancer, providing them with essential financial assistance during their recovery.

Transforming Our Governance Model

Our governance principles are designed to demonstrate accountability, transparency, and ethical behaviour, which are consistent with our policies and code of conducts and other business principles. We periodically assess the robustness of our governance model and respective internal processes and controls to make sure we are operating at the highest level of ethical performance.

At FAB, ESG has been seamlessly integrated into our core governance framework with dedicated committees overseeing the business linkage and implications of ESG strategy, ESG risk framework, and policy implementation. We persist in cultivating a corporate culture that understands the significance of ESG matters in business, fostering collaboration and capacity building across various business lines.

The Board of Directors actively directs our ESG ambitions in an ethical and transparent way to ensure long-term performance and sustainability. The Board's ESG strategic direction is communicated to the wider Group through the Board Risk and ESG Committee (BRESGC).

The Group ESG Committee (G-ESGC) supports the BRESGC in overseeing the ESG culture and awareness across the Group, ensuring the ESG strategy is implemented and endorsing FAB's net-zero pathway plans.

The G-ESGC represents the highest authority at the management level for all ESG-related decision-making across the Group. It is supported by the ESG and Sustainable Finance Committee (ESG-SFC) that oversees the implementation of the ESG Strategy, Policy, and Sustainable Finance Framework. The

ESG direction set out by the Board is disseminated to the organisation through a Group-wide ESG frameworks, policies, and strategies, which are developed and executed by the Group ESG team.

Senior Management, on the other hand, are responsible for implementing the ESG strategy framework and policies based on board approvals, while driving ESG culture and changes and ensuring compliance. These are internally supported with an appropriate risk appetite framework.

Upskilling Our Colleagues on Climate Change

FAB prioritises the training and education of its staff. All staff are required to complete the mandatory annual compliance training. In addition to specific tailored training, the Board receives an annual compliance training update.

During 2023, the total learning hours for MLC 2023 were 72,359. In July 2023, we launched our Carbon Literacy programme to upskill colleagues, enabling them to effectively assist clients, as well as support the bank, in navigating the shift towards a low-carbon economy to meet our net-zero and ESG targets. This programme will continue to be rolled out in 2024.

Structural overview of ESG governance

Committees with ESG Roles

Board of Directors | Board Risk and ESG Committee (BRESGC)

Tier 1

Group ESG Committee (G-ESGC) | Group Risk Committee (GRC)

Group Compliance Committee | Group Operational & Fraud Risk Committee (GOFRC)

Tier 2

ESG and Sustainable Finance Committee (ESG-SFC) | Credit Execution Committee (CEC)

ESG Organisational Structure

Leadership Team

Group CEO

Group CRO

Functional Roles

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Business Lines	Group ESG Team	Internal Audit
		Support Functions

Key: ESG support function | Existing structure

FAB's sustainability commitment and alignment with local and global strategies

Alignment with local and global frameworks and goals	
Reporting Frameworks	Global Reporting Initiative (GRI)
	Equator Principles (EP)
	Carbon Disclosure Project (CDP)
	Net Zero Banking Alliance (NZBA)
	Principles for Responsible Banking (PRB)
	Green Bond ICMA Principles (ICMA)
	Task Force on Climate-Related Financial Disclosures (TCFD)
	Abu Dhabi Securities Exchange (ADX) ESG Guide for Listed Companies
	Partnership for Carbon Accounting Financials
National Goals	Abu Dhabi Vision UAE Vision 2021 UAE Green Agenda 2015–2030 UAE Net Zero by 2050 UAE Climate-Responsible Companies Pledge
International Goals	UN Sustainable Development Goals (SDGs)
	UN Global Compact COP28 Net Zero Transition Charter: Accountability Mobilization for the Private Sector

FAB recognises the importance of a diverse range of views and perspectives to enhance the effective governance, oversight and strategic leadership of the bank.

Corporate Governance

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A Message From the Chairman of the Board of Directors

On behalf of the Board of Directors, I am pleased to present the 2023 Annual Corporate Governance Report of First Abu Dhabi Bank PJSC (FAB or the Group).

Corporate governance is the bedrock of responsible management, ensuring transparency, accountability, and ethical conduct in business. In the financial sector, where trust and stability are paramount, robust governance are non-negotiable, safeguarding integrity, investor confidence, competitiveness, and long-term sustainability. Exemplary governance is not just prudent but essential in driving stakeholder trust and organisational resilience.

FAB's commitment to sound, effective and best practice corporate governance – fully aligned with the G20/OECD Principles – serves to support strong performance, accountability, and transparency.

In this year's Corporate Governance Report, we continue to build on our record of transparency and disclosure with adherence to international best practices, notably in our leadership in sustainability, further detailed in our 2023 ESG Report.

FAB is deeply integrated into the UAE's ambition on climate change and net zero, placing sustainability at the heart of social and economic progress. Across the Group, we understand the urgency of scaling green investment and believe in using finance incisively and judiciously to advance climate action and deliver better futures for all the communities and markets in which we operate.

Our 2030 targets reflect expanded commitments towards sustainability through financing, employee well-being and community engagement. We will accelerate decarbonisation while supporting the national, regional and global sustainability agenda.

Consumer protection and corporate social responsibilities remain priorities for us, underscoring our Customer First approach.

The Board also recognises the importance of diverse perspectives in enhancing the effective governance, oversight and strategic leadership of FAB. We welcomed three new Directors in 2023, including our first female Director with sustainability expertise.

During the year, the Group continued to strengthen internal governance across our international network, focusing on subsidiary governance and risk management in alignment with local regulatory requirements.

> "The Board recognises the importance of a diverse range of views and perspectives to enhance the effective governance, oversight and strategic leadership of FAB."

Through partnerships like the GCC Board Directors Institute, we invest in professional development for our subsidiary Board members and governance professionals. Board composition on subsidiary Boards was also strengthened with new members bringing capabilities in areas such as risk management to ensure an appropriate mix of expertise.

Finally, I would like to take this opportunity to thank our Board, our senior management and all FAB employees around the globe for fostering FAB's resilient governance culture and its ongoing success.
H.H. Sheikh Tahnoon bin Zayed Al Nahyan

H.H. Sheikh Tahnoon bin Zayed Al Nahyan
Chairman

> Throughout the year, FAB continued to monitor and comply with all applicable UAE regulations in the financial sector, including those of the Central Bank of the UAE (CBUAE) and the Securities and Commodities Authority (SCA).

Corporate Governance Framework at FAB

FAB's Corporate Governance framework sets out the governance requirements for the Group Board, local and international subsidiary Boards and relevant Board and management level committees. The emphasis in 2023 was on the international governance framework, ensuring the adequate level of local capability, and that relevant committees structures and operating models were in place, supported by continuous education and training from the head office.

At a Group level, there was continued emphasis on ensuring all committees are set up and operating to enable informed decision-making. The secretaries of the Board and Board Committees continue to be senior employees within the Bank and are subject matter experts.

The Board and Board Committee charters are updated annually and can be found on our website under Corporate Governance Framework.

An important part of FAB's Governance Framework is the Bank's Annual General Meeting (the AGM). This is the opportunity for the shareholders to engage with the Board and raise questions. The AGM was held on 28 February 2023 and included the following agenda items:

- Discuss and approve the report of the Board of Directors on the activity of the bank and its financial statements for the financial year ending 31 December 2022.
- Discuss and approve the report of the external auditors for the financial year ending 31 December 2022.
- Discuss and approve the bank's balance sheet and profit and loss statement for the financial year ending 31 December 2022.
- Consider the proposal of the Board of Directors regarding the provisions and reserves, and the distribution of profits for the financial year ending on 31 December 2022 of 52% of the Bank's paid-up capital as cash dividend, which is 52 fils per share for a total amount of AED 5.74 billion.
- Discuss and approve the board of directors' remuneration.
- Discharge of the board members from their duties for the financial year ending 31 December 2022.
- Discharge of the previous auditors from their duties for the financial year ending 31 December 2022.
- Appointment of auditors for the financial year 2023 and determining their fees.
- Elect the Board of Directors.
- Discuss and approve Internal Shari'ah Supervision Committee annual report.
- Notification on payable Zakat in relation to the Bank's Islamic activities for the financial year ending 31 December 2022.

In addition, other special resolutions were approved as part of the meeting agenda including amendments to the Bank's Articles of Association to ensure ongoing regulatory compliance as well as additions to the Group's debt issuance programs.

The Internal Shari'ah Supervision Committee's (ISSC) annual report and the Internal Shari'ah Supervision Committee members were also approved by the Higher Shari'ah Authority (HSA) of the CBUAE.

FAB recognises that a well-considered and established corporate governance framework facilitates effective decision-making and builds a strong relationship with stakeholders through a transparent structure that supports appropriate disclosures. FAB is committed to achieving robust corporate governance and business integrity. Its Corporate Governance Framework is aligned with applicable regulatory requirements, including those of the CBUAE, SCA and other applicable regulators. It is particularly designed to reflect the CBUAE Corporate Governance Regulation for Banks (Circular 83/2019) and the accompanying Corporate Governance Standard for Banks.

The FAB Board is the principal decision-making forum for the Bank. Its responsibilities are set out in the Board Charter and include approving the strategic plan, annual budget and organisation structure, setting its risk appetite and risk management strategy, monitoring financial performance, monitoring and evaluating the performance of senior management, and approving the Bank's corporate values as set out in the Banks' Code of Conduct requirements. Setting the tone at the top is a critical part of the Board's role. The Board is also responsible for providing oversight and effective challenge to senior management across a range of matters including its execution of the agreed strategy and risk management and is also responsible for Board and executive management succession planning.

Risk Governance

Risk governance refers to the formal structure used to support risk-based decision making and oversight across the Group's operations.

In line with the CBUAE Corporate Governance Regulations, the Board has approved that the risk governance framework must incorporate a "three lines of defence" approach including senior management of the business lines, the functions of risk management and compliance, and an independent and effective internal audit function. The three lines of defence (3LOD) model is a tool used worldwide by banks and other financial institutions to support how risk is managed and the roles and responsibilities of businesses, enablement functions and control functions.

The significant functions which form the control system at FAB include Internal Audit, Risk, Compliance, Legal and Corporate Governance. Control functions within FAB functionally report to the Board or designated Committees, and administratively report to the GCEO. The CBUAE Corporate Governance Regulations require that control functions operate separately from the business (which is achieved through the 3LOD) and that the Heads of the Control functions have a direct reporting line to the relevant Board Committee. For example, the Group Chief Risk Officer reports functionally to the Board Risk and ESG Committee (BRESGC) and administratively to GCEO. These reporting lines are included in the relevant Board Committee charters. Risk committees provide quarterly reports to the BRESGC. Similarly, Audit provides quarterly reports to the Board Audit Committee (BAC). Both BAC and BRESGC report any significant matters as and when required to the Board of Directors.

FAB has established a robust risk governance and ownership structure that ensures oversight and accountability of the effective management of risk. The Board approves risk management plans for FAB, its subsidiaries and international offices including representative offices and overseas branches. Under authority delegated by the BRESGC, the Group Risk Committee (GRC) formulates high-level enterprise risk management policy frameworks, exercises delegated risk authorities and oversees the implementation of risk management framework and controls through the independent Group Risk Management division led by the GCRO. This framework facilitates a composite view of risk at each succeeding level of the organisation enabling it to determine whether the overall portfolio risk is commensurate with its risk appetite. Group Risk Management function is the nerve centre for collection of data, analysis of risk drivers, interpretation of outcome and its wide dissemination to relevant committees for risk management.

The Enterprise Risk Management Policy (ERMP) framework at FAB is established across the organisation including local and international branches, subsidiaries and foreign representative offices. The core objective of the ERMP is to provide a reasonable degree of assurance to the Board that the risks threatening FAB's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP framework consists of specific policy documents covering all material risks across FAB. In addition to the risk management policies, FAB has also put in place detailed operational policies, procedures and programs wherever needed.

The risk appetite framework at FAB is aligned with its strategic objectives. The risk appetite framework comprises risk appetite statement and risk metric across multiple categories (capital adequacy, financial performance, efficiency, liquidity and funding, credit asset quality, risk concentration, ESG risk, risk assessment, operational efficiency, market risk exposures, conduct risk, information security and human resources). The Group level risk appetite is cascaded down to the individual business groups.

The risk appetite framework is approved by the GRC and BRESGC post the business and subsidiaries review. The role of the GCEO and the executive management team is to execute the agreed business strategy within the agreed risk appetite. There is regular monitoring of all relevant risk exposures to ensure that the overall risk profile is within the defined risk appetite limits. There are clearly defined processes for regular review and enhancement of the framework in line with changes in external as well as internal environment. The risk management processes and methodologies are benchmarked against regional and international best practices.

The significance of non-financial risk management and operational resilience for financial institutions has also continued to increase in recent years. Convergence and integration across risk types is required to effectively manage these risks. In 2023, Group Risk has brought the non-financial risk classes comprising operational, fraud, technology, subsidiary risk oversight and model risk governance under a single group risk line to better govern and manage these risk classes and ensure a consistent and holistic approach.

Key Focus Areas in 2023

Data Governance

Robust data governance remained a priority for FAB. In 2023, FAB maintained a stringent data governance regime, ensuring the integrity, security, and accessibility of data across our operational territories supported by further data quality enhancements performed across multiple source systems. We focused and invested in enriching our data governance solutions in metadata and reference data that enabled us to enhance significantly our data quality monitoring and risk management.

Our approach to data governance is holistic, aligning with international practices and applicable regulatory standards. We focus on the quality of data and its alignment with our strategic objectives. FAB's data governance framework is designed to support decision-making processes, risk management and compliance requirements, thus facilitating a culture of accountability and transparency throughout the organisation.

At FAB, we understand that dynamic market conditions and technological advancements necessitate an evolving data governance strategy. In this vein, we are currently in the process of strengthening our data governance framework through the implementation of an enhanced and comprehensive data governance strategy via our data governance framework and target operating model. This strategic initiative is designed to enhance our data management capabilities and ensure higher standards of data accuracy, accessibility, privacy and security, improving bank-wide collaboration, addressing ongoing regulatory aspects and meeting our regulatory expectations and data governance standards across all jurisdictions.

This enhancement aims to further invest in the implementation and integration of advanced analytics, and leverage emerging AI and machine learning technologies through our data governance solutions, and to adapt to the evolving regulatory landscapes across the different regions where FAB operates. This initiative is not limited to FAB's operations in the UAE but extends to all FAB Group entities, reflecting our commitment to maintaining a uniform standard of data excellence globally.

As we move forward, FAB is committed to evolving our data governance practices and meeting the challenges of an increasingly data-driven world.

Consumer Protection

Ongoing training and education on consumer protection was a focus area for 2023, forming a part of our Customer First mindset.

In line with CBUAE requirements, Licensed Financial Institutions must establish a Consumer Education and Awareness (CEA) function responsible for educational and awareness programs for consumers and the general public to protect consumers' interests in their use of financial products or services and ensure a transparent relationship with consumers.

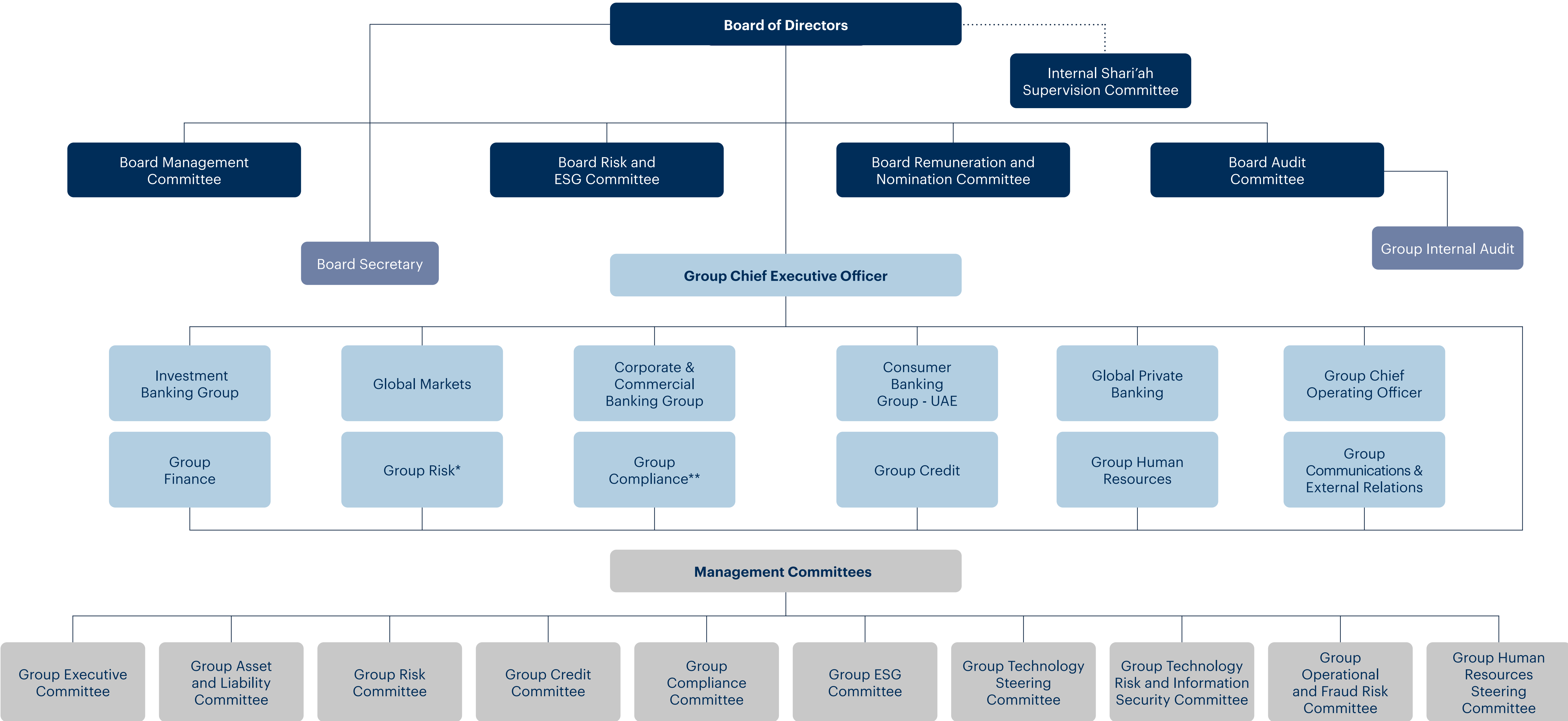
In 2023, FAB deployed a dedicated project management team alongside a leading external consultant to ensure the implementation of regulatory requirements across the bank, within the stipulated timelines. The project consisted of multiple workstreams to manage technical and process-related improvements which were required to address the Consumer Protection clauses; one of which included the creation of a central Consumer Education and Awareness Unit (CEAU).

Since then, the CEAU has delivered and continues to deliver on its responsibilities summarised below:

- Partnered with a market leader in the rollout of financial literacy programs on the FAB website for consumers and the general public.
- Rolled out two training programs to increase employee awareness of underbanked groups (i.e., People of Determination (POD) and Consumers of Vulnerable Groups (CVG)).
- Conducted a gap analysis for five FAB retail branches in relation to accessibility requirements for PODs and CVGs.
- Prepared and submitted an annual report on educational awareness activities.

FAB plans to continue to expand the current mandate of the CEAU to ensure ongoing compliance with Consumer Protection Regulations and Standards..

FAB Organisational Structure



[1] The Group Chief Risk Officer reports administratively to the GCEO and has functional reporting to the Board Risk and ESG Committee
[2] Group Compliance has a direct right of access to the Board Risk and ESG Committee and the Board Audit Committee

Board Governance

Board Roles and Responsibilities

The Board regularly reviews and refines its governance arrangements in light of evolving regulatory requirements and stakeholder expectations.

The FAB Board of Directors consists of 11 members. Board members are appointed on a three-year tenure.

The Board is headed by an independent Chair who is elected from amongst its members. The Chair has authority to act and speak for the Board, including engaging with FAB senior management, facilitating communications between the Board and its shareholders, and meeting with representatives of FAB's regulators, as required.

The Chair provides leadership to the Board and is responsible for its overall effectiveness. The Chair ensures that Board decisions are taken on a sound and well-informed basis, encourages and promotes critical discussion and ensures that dissenting views can be freely expressed during the decision-making process.

The Board Charter outlines the roles and responsibilities of the Board and the manner in which it discharges its responsibilities.

Key Elements	Board's roles and responsibilities
Leadership and Stakeholder Management	Represent shareholders and other relevant stakeholders and serve the interest of FAB by overseeing and evaluating FAB's strategy, performance, framework and policies. Ensure appropriate dialogue with FAB shareholders and other stakeholders. Consider the balance of interests between shareholders, employees, customers and the community.
Strategy and Performance	Approve and monitor FAB's strategy and long-term objectives ensuring alignment with the Group's risk appetite and the Group risk management framework. Review financial performance in light of the strategy, long-term objectives and the budget of FAB ensuring that necessary corrective action is taken.
Financial Reporting	Review and approve the Group's annual and quarterly financial reports and statements and ensure the integrity of such reporting.
Risk Management	Responsible for approval of the risk management framework and the implementation of an effective risk management culture and internal control framework across the Bank and the Group with respect to applicable regulations and standards.
Culture	Sets the Group's tone, values and standards and creates expectations that all businesses must be conducted in a legal and ethical manner. Oversees the adherence to such values by staff.
Remuneration	Approves the Group's remuneration framework and policy ensuring alignment with the bank's values and risk appetite.
Appointment and Succession Planning	Ensure that FAB has a fit and proper process for the selection of senior management, including the heads of the risk management, compliance and internal audit functions, and the maintenance of succession plans for senior management.
Consumer Protection	Raise awareness and emphasis on the increasing importance of consumer protection by promoting positive institutional conduct, well-qualified staff, providing necessary training, ensuring appropriate organisational structure, clear policies and procedures.

In 2023, FAB revised the Directors' Code of Conduct to ensure the Board of Directors is held to high standards of probity and ethical behaviour thereby ensuring Board members act with integrity, maintain confidentiality and act in the best interest of the Bank and its shareholders. The code applies to directors of the Group Board and all subsidiary Boards across the FAB Group. The code of conduct covers:

- Compliance with laws and regulations
- Loyalty, good faith and fiduciary duties
- Conflicts of interest
- Related parties
- Anti-bribery and corruption
- Confidentiality
- Disclosures
- Ethical behaviour
- Consumer protection
- Gifts and hospitality

Independence

FAB assesses the independence of directors in line with regulatory requirements. According to these criteria, in 2023, all Board members of FAB were considered to be independent. Specifically, they have no relationship with the Bank or Group that could lead to a benefit or which may affect their decision-making. They are not under any undue influence, internal or external, ownership or control, which would impede the exercise of objective judgement.

In addition, all members of the Board are non-executive and independent according to the criteria set by the CBUAE and no member has been on the Board for more than 12 consecutive years.

Conflict of Interest

Each Director has a duty to avoid, any activity at FAB or elsewhere that creates a conflict between a Director's own interests (whether those as an individual or through an entity he / she is associated with) and the interests of FAB. In particular, a Director must avoid competing directly or indirectly with FAB, including holding directorships in competing institutions.

In addition, a Director is prohibited from:

- Providing unjustified advantages to third parties at the expense of FAB.
- Taking for himself or herself, his immediate family or a related party opportunities that are available through his / her position as a Director, or use of FAB property or information.
- Taking advantage of the position as Director to gain directly or indirectly any personal advantage which might be to the detriment of FAB.

A Director who becomes aware of an actual or potential conflict of interest must:

- Promptly disclose the matter to the Chair of the Board and the Secretary to the Board.
- Abstain from involvement in that matter, including recusing himself or herself from participating in the debate or voting on the matter or attending the relevant meetings.

Board of Directors

His Highness
Sheikh Tahnoon bin Zayed Al Nahyan
Chairman
Independent Non-Executive Director

His Highness Sheikh Tahnoon bin Zayed Al Nahyan has been the Chairman of First Abu Dhabi Bank since 2017. In addition, H.H. Sheikh Tahnoon chairs several leading business groups in the Emirate of Abu Dhabi. These include International Holding Company PJSC (IHC), the Abu Dhabi Investment Authority (ADIA), one of the world's largest sovereign wealth funds, managing over $800 billion in assets, ADQ (formerly, Abu Dhabi Developmental Holding Company PJSC) and G42, a leading group in Artificial Intelligence and Cloud Computing.

Within the government, H.H. Sheikh Tahnoon was appointed Deputy Ruler of Abu Dhabi on 29 March 2023 by the President of the UAE, H.H. Sheikh Mohamed bin Zayed Al Nahyan. He also serves as the National Security Advisor of the UAE, a position he has held since 14 February 2016.

In December 2020, H.H. Sheikh Tahnoon was announced as a member of the board of the Supreme Council for Financial and Economic Affairs. This council was established to oversee Abu Dhabi's financial, investment, and economic affairs, including the management of natural resources.

External appointments:

- Abu Dhabi Investment Authority (ADIA), Chairman
- International Holding Company PJSC (IHC), Chairman
- ADQ, Chairman
- G42, Chairman

His Excellency
Sheikh Mohamed bin Saif Al Nahyan
Vice Chairman
Independent Non-Executive Director

His Excellency Sheikh Mohamed bin Saif Al Nahyan serves as the Board Vice Chairman of First Abu Dhabi Bank. He was appointed to the Board in 2017 and chairs the Board Management Committee and Board Remuneration and Nomination Committee.

An experienced business professional with more than 20 years in family business, real estate and investment, H.E. Sheikh Mohamed manages a number of projects across the UAE.

H.E. Sheikh Mohamed has a degree in International Economics and History from the American University of Paris.

External appointments:

- Abu Dhabi National Insurance Company PJSC, Chairman and Member of Board Risk Management Committee.

His Excellency
Jassem Mohammed Bu Ataba Al Zaabi
Independent Non-Executive Director

His Excellency Jassem Mohammed Bu Ataba Al Zaabi was appointed to the Board of First Abu Dhabi Bank in 2020 and chairs the Board Audit Committee.

His Excellency Jassem Mohammed Bu Ataba Al Zaabi is the Chairman of the Department of Finance – Abu Dhabi. In this capacity, he fosters a culture of fiscal sustainability across all government-related entities and upholds the emirate's sturdy balance sheet.

His Excellency is also the Secretary General of Abu Dhabi's Supreme Council for Financial and Economic Affairs and a member of the Abu Dhabi Executive Council.

H.E. Al Zaabi holds a master's degree in business administration from the London Business School.

External appointments:

- Artificial Intelligence & Advanced Technology Council, the Secretary General
- Abu Dhabi Pension Fund, Chairman
- Q Holding PJSC, Chairman
- Modon Properties PJSC, Chairman
- e& PJSC, Chairman
- UAE Central Bank, Vice Chairman
- Abu Dhabi Holding Company (ADQ), Vice Chairman
- Abu Dhabi Investment Authority (ADIA), Board Member
- Abu Dhabi National Oil Company (ADNOC), Board Member
- Tawazun Economic Council, Board Member
- Education and Human Resources Council, Board Member

His Excellency
Dr. Sultan Ahmed Al Jaber
Independent Non-Executive Director

His Excellency Dr. Sultan Ahmed Al Jaber was appointed to the Board of First Abu Dhabi Bank in 2020 and chairs the Board Risk and ESG Committee.

H.E Dr. Al Jaber is a member of the UAE Cabinet, Minister of Industry and Advanced Technology, and leads the UAE's special envoy for climate change. He is the President for COP28, held in the UAE.

He previously served as founding CEO of Masdar, Abu Dhabi's pioneering renewable energy initiative, CEO of the Energy platform at Mubadala and Chairman of the Abu Dhabi Ports Company.

H.E. Dr. Al Jaber has a Ph.D. in Business and Economics from Coventry University in the United Kingdom, an MBA from California State University and a bachelor's degree in Chemical Engineering from the University of Southern California.

External appointments:

- Abu Dhabi National Oil Company (ADNOC), Managing Director and Group CEO
- Abu Dhabi Supreme Council for Financial and Economic Affairs, Board Member
- Emirates Development Bank, Chairman
- Masdar, Chairman
- Emirates Investment Authority, Board Member
- Emirates Global Aluminium, Board Member
- Mubadala Investment Company, Board Member
- Advanced Technology Research Council, Board Member
- Mohammed bin Zayed University of Artificial Intelligence, Chair, Board of Trustees

● Board Management Committee
● Board Remuneration & Nomination Committee
● Board Risk & ESG Committee
● Board Audit Committee

● Board Management Committee
● Board Remuneration & Nomination Committee
● Board Risk & ESG Committee
● Board Audit Committee

Her Excellency
Mariam bint Mohammed Saeed Hareb Almheiri
Independent Non-Executive Director

Her Excellency Mariam bint Mohammed Saeed Hareb Almheiri was appointed to the Board of First Abu Dhabi Bank in 2023 and is a member of the Board Risk and ESG Committee.

H.E. Almheiri is the head of the International Affairs office at the Presidential Court and the Chief Executive Officer of 2PointZero, a subsidiary of International Holding Company (IHC). H.E. Almheiri was previously the UAE Minister of Climate Change and Environment, spearheading the UAE's drive to mitigate and adapt to the impacts of climate change, protect the country's ecosystems, and enhance its food and water security through developing and implementing effective measures, policies and initiatives. She also represented the UAE in the United Nations Food and Agriculture Organisation and was previously Minister of State for Food and Water Security.

H.E. Almheiri has a master's and a bachelor's degree in Mechanical Engineering from the Rheinisch-Westfälische Technische Hochschule (RWTH) in Aachen, Germany.

External appointments:
- Q Holding PJSC, Board Member
- Abu Dhabi Fund for Development, Board Member
- International Humanitarian and Philanthropic Council, Board Member

His Excellency
Sheikh Ahmed Mohammed Sultan S. Aldhaheri
Independent Non-Executive Director

His Excellency Sheikh Ahmed Mohammed Sultan Aldhaheri was appointed to the Board of First Abu Dhabi Bank in 2017 and is a member of the Board Risk and ESG Committee and Board Audit Committee.

H.E. Sheikh Ahmed Aldhaheri has a bachelor's degree in Civil Engineering from UAE University.

External appointments:
- Abu Dhabi National Hotels Company (ADNH), Vice Chairman & Managing Director
- Abu Dhabi Refreshments Company (Pepsi Cola), Board Member & Managing Director
- Abu Dhabi Aviation PJSC, Vice Chairman
- e& PJSC, Board Member
- Al Dhafra Insurance PSC, Board Member
- Al Dhaheri Group, Board Member

- Board Management Committee
- Board Remuneration & Nomination Committee
- Board Risk & ESG Committee
- Board Audit Committee

His Excellency
Mohammed Thani Murshed Ghannam Alrumaithi
Independent Non-Executive Director

His Excellency Mohammed Thani Murshed Ghannam Alrumaithi was appointed to the Board of First Abu Dhabi Bank in 2017 and is a member of the Board Risk and ESG Committee and Board Remuneration and Nomination Committee.

H.E. Alrumaithi's contributions to Abu Dhabi's business growth are manifold. He has served in a number of government and regional positions dedicated to boosting economic development and trade, including multiple years as chairman of the Abu Dhabi Chamber of Commerce and Industry, president of the Federation of Chambers of the Gulf Cooperation Council, vice president of the US-UAE Business Council and board member of the UK-UAE Business Council.

H.E. Alrumaithi holds a bachelor's degree in Business Administration.

External appointments:
- Alpha Dhabi Holding PJSC, Chairman
- National Marine Dredging Co. PJSC, Chairman

His Excellency
Mohamed Saif Al Suwaidi
Independent Non-Executive Director

His Excellency Mohamed Saif Al Suwaidi was appointed to the Board of First Abu Dhabi Bank in 2017 and is a member of the Board Management Committee and Board Audit Committee.

H.E. Al Suwaidi is Director General of the Abu Dhabi Fund for Development, an autonomous funding institution established by the Government of Abu Dhabi in 1971 to offer development aid and programmes to developing nations to advance their economic and social objectives. Since 2008, His Excellency has led the Fund in disbursing development assistance in excess of AED 190 billion, benefiting 104 countries worldwide, in addition to managing the Fund's resources.

With more than 30 years of experience in finance, business management, infrastructure development and institutional administration, H.E. Al Suwaidi is also involved in a number of regional, national and international organisations.

H.E Al Suwaidi holds a bachelor's degree in Business Administration from California Baptist University in the United States.

External appointments:
- Arab Bank for Investment and Foreign Trade (Al Masraf), Vice Chairman
- Asian Infrastructure Investment Bank, Deputy Governor of the Board of Governors
- Emirates Development Bank, Board Member
- DP World, Board Member
- Al Jazira Sports and Cultural Club, Board Member
- Abu Dhabi Tourism Investments Company (ADTIC Egypt), Chairman
- Abu Dhabi Uzbekistan Investment (ADUI), Chairman

- Board Management Committee
- Board Remuneration & Nomination Committee
- Board Risk & ESG Committee
- Board Audit Committee

His Excellency
Waleed Al Mokarrab Al Muhairi
Independent Non-Executive Director

His Excellency Waleed Al Mokarrab Al Muhairi was appointed to the Board of First Abu Dhabi Bank in 2020 and is a member of the Board Management Committee and Board Remuneration and Nomination Committee.

As Deputy Group Chief Executive Officer of Mubadala Investment Company, a sovereign investor owned by the government of Abu Dhabi, H.E. Al Muhairi has strategic oversight of the company's broad investment portfolio and special projects at the group level. He is also a member of Mubadala's investment committee, and Chairman of its new investment and business planning committee. Furthermore, he has oversight of the real estate and infrastructure, and disruptive business platforms within Mubadala. H.E. Al Muhairi was one of the principal architects of the Abu Dhabi 2030 Economic Vision.

H.E. Al Muhairi holds a master's degree in public policy from Harvard, and a bachelor's degree in Foreign Service from Georgetown University in Washington, D.C.

External appointments:

- Waha Capital, Chairman
- Mubadala Capital, Chairman
- Global Institute for Disease Elimination (GLIDE), Chairman
- US-UAE Business Council, Chairman
- Aldar Properties PJSC, Vice Chairman
- Cleveland Clinic in the United States, Member, Board of Trustees
- Noon.com, Board Member
- Hub71, Board Member
- Ellipses Pharma Limited, Board Member
- Abu Dhabi Investment Council (ADIC), Board Member
- Investcorp Holdings Bahrain, Board Member
- Tamkeen, Board Member
- M42, Board Member

His Excellency
Homaid Abdulla Al Shimmari
Independent Non-Executive Director

His Excellency Homaid Abdulla Al Shimmari was appointed to the Board of First Abu Dhabi Bank in 2023 and is a member of the Board Risk and ESG Committee and Board Audit Committee.

H.E. Al Shimmari is the Deputy Group CEO and Chief Corporate and Human Capital Officer in Abu Dhabi's Mubadala Investment Company. He was previously CEO of the Aerospace and Engineering Services platform in Mubadala, focused on the strategic vision and plans for developing technologically advanced industries within Abu Dhabi and the UAE.

H.E. Al Shimmari holds a bachelor's degree in Aeronautical Engineering from Embry-Riddle Aeronautical University and holds a black belt in Six Sigma from GE.

External appointments:

- Maximus Air Cargo, Chairman
- Solutions+, Chairman
- Abu Dhabi Aviation PJSC, Board Member
- Waha Capital, Board Member
- Khalifa University, Vice Chairman, Board of Trustees
- UAE University, Vice Chairman, Board of Trustees

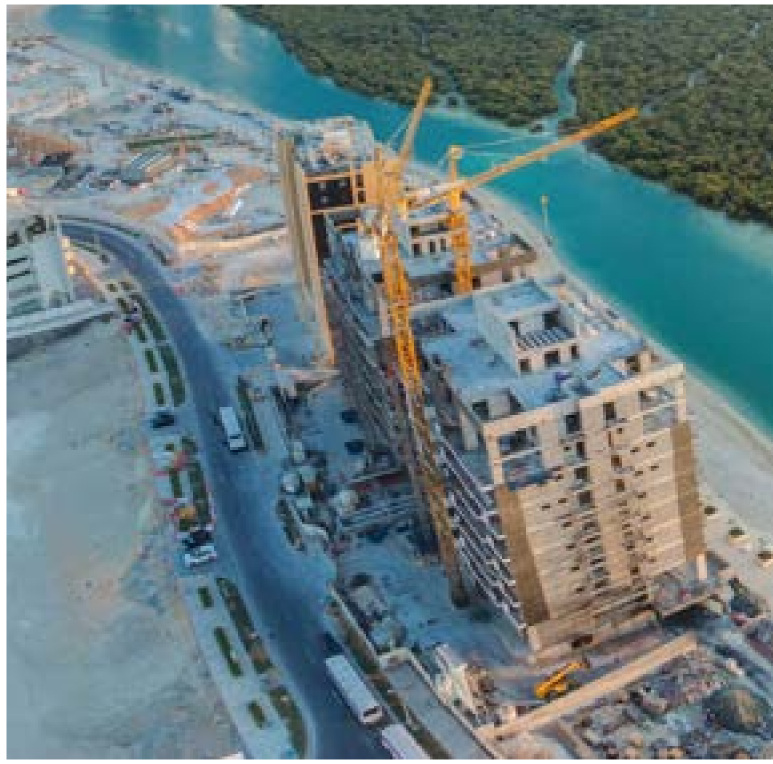
- Board Management Committee
- Board Remuneration & Nomination Committee
- Board Risk & ESG Committee
- Board Audit Committee

His Excellency
Khalifa Ateeq Al Mazrouei
Independent Non-Executive Director

His Excellency Khalifa Ateeq Al Mazrouei was appointed to the Board of First Abu Dhabi Bank in 2023 and is a member of the Board Audit Committee.

He is currently the Group Chief Investment Officer at Abu Dhabi Capital Group. Previously, he also served as a senior manager at the Internal Equities Department - Active Europe at the Abu Dhabi Investment Authority (ADIA) and has held leading positions in the Internal Equities Department and Internal Audit since he joined ADIA in 2008.

H.E. Al Mazrouei has a bachelor's degree from the Higher Colleges of Technology - Abu Dhabi. He is a certified internal auditor and a Chartered Financial Analyst.



- Board Management Committee
- Board Remuneration & Nomination Committee
- Board Risk & ESG Committee
- Board Audit Committee

Board Diversity

The Board is comprised of members with a diverse range of skills and experience designed to ensure strategic leadership and effective risk management and governance of the FAB Group.

The Remuneration and Nomination Committee and the Board understand the importance of ensuring the right composition of the FAB Group's various Boards. Board composition is continually assessed to ensure increasing diversity in all aspects including skills, experience and gender.

Gender diversity across the Group Board and subsidiary boards

Board	Total Board	Female Representation	% of Women
FAB	11	1	9%
FAB Islamic	5	3	60%
FAB Securities	5	3	60%
Egypt	9	2	22%
KSA	6	1	17%
Switzerland	6	1	17%
India[1]	6	0	0%
US (Curaçao)[2]	7	2	29%
Libya[3]	7	1	14%
Overall			**23%**
Local Boards			**33%**
International Boards			**17%**

[1] The FAB India board is the board of FAB Global Business Services Limited, which provides enablement services to the FAB Group.
[2] The US (Curaçao) subsidiary follows a two-tier board structure, including a management board and supervisory board.
[3] FAB owns 50% of the share in First Gulf Libyan Bank and exercises control over the investee as it has a majority of votes on the Board of the entity.

Remuneration Disclosure

The Board Remuneration and Nomination Committee recommends the level of Board member remuneration to the AGM for consideration and approval. All Board member remuneration is a fixed annual amount in accordance with regulatory requirements.

Directors' Remuneration

Total remuneration paid to the Board members in 2023 for the year 2022:

Board member	Roles	2023 Total Amount (AED)
His Highness **Sheikh Tahnoon bin Zayed Al Nahyan**	Chairman	16,250,000
His Excellency **Sheikh Mohamed bin Saif Al Nahyan**	Vice Chairman	3,675,000
His Excellency **Jassem Mohammed Bu Ataba Al Zaabi**	Director	3,675,000
His Excellency **Dr. Sultan Ahmed Al Jaber**	Director	3,675,000
His Excellency **Waleed Al Mokarrab Al Muhairi**	Director	3,000,000
His Excellency **Sheikh Ahmed Mohammed Sultan S. Aldhaheri**	Director	2,750,000
His Excellency **Mohammed Thani Murshed Ghannam Alrumaithi**	Director	2,625,000
His Excellency **Mohamed Saif Al Suwaidi**	Director	2,875,000
His Excellency **Musabbeh Helal Musabbeh Al Kaabi[1]**	Director	2,250,000
His Excellency **Jassim Mohammed Al Seddiqi[1]**	Director	2,125,000
His Excellency **André George Sayegh[1]**	Director	2,100,000

Total Board member remuneration:

	Proposed 31 Dec 2024 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000
BOD remuneration paid during the year		45,000	45,000
BOD remuneration proposed for 2023, to be paid in 2024	45,000		

[1] Term ended in February 2023.

Board Induction and Training

In 2023, three Board positions were rotated with resignations of H.E. Jassim Mohammed Al Seddiqi, H.E. André George Sayegh and H.E. Musabbeh Helal Musabbeh Al Kaabi and the appointment of H.E. Mariam bint Mohammed Saeed Hareb Almheiri, H.E. Khalifa Ateeq Al Mazrouei and H.E. Homaid Abdulla Al Shimmari.

New Directors were provided with a comprehensive and tailored induction pack covering all aspects of governance at the bank to enable Directors to discharge their responsibilities and undertake their work with due care and skill. This included materials on Board Committees, Board governance frameworks, fellow director and senior management skills and experience, external reporting, Board ethics, relevant regulatory guidance and policies and an outline of the business and market.

Continuous Board Education

To complement its comprehensive Board induction programme, FAB continued to provide continuous Board education to ensure Directors are provided with a more granular understanding of the business and relevant regulatory developments.

This year's Board education had a strong risk focus which included materials on model risk management and the new CBUAE Model Management Standards and Guidance together with materials on Liquidity Management Strategy and Regulatory Compliance.

Feedback is obtained from Board members on each education pack to ensure ongoing refinement and development of the Board education.

Board Evaluation

The Board Secretary conducts an annual assessment of the Board's performance. The annual assessment includes:

- Board Organisation, Structure and Objectives
- Board Meeting Processes
- Board Responsibilities and Performance
- Board Interaction with Senior Management

In addition, an independent Board evaluation is conducted periodically in accordance with regulatory requirements.

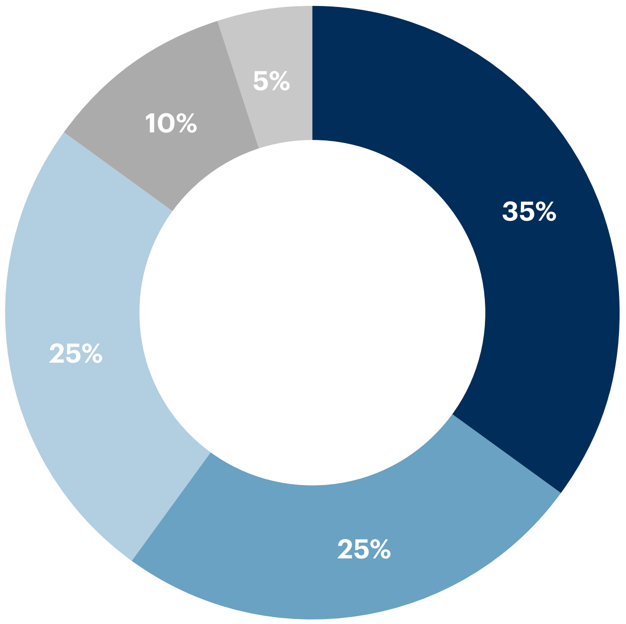
Recommendations are considered and addressed to enhance the governance structure across the Board and its committees and charters are updated on a yearly basis.

In 2023, the Board evaluation was positive with feedback that meetings devoted sufficient time to relevant topics, in particular Group strategy, Board members had sufficient skills and experience to consider the relevant matters and Board materials were distributed in a timely manner. Constructive feedback was also received on the induction of the new Board members.

Board Meetings and Agenda

Board Activities in 2023

- Reviewing the financial performance of the Bank, including the annual budget
- Reviewing Group strategy, including the long-term strategic planning, strategic initiatives, business acquisitions and integration (including technology and cloud strategy)
- Reviewing Board Committee Reports: risk, ESG, remuneration, nomination and governance, compliance and audit
- Approval of leadership and succession planning
- Reviewing the annual Board evaluation



Board Meeting Attendance

Date of Board meeting	Number of Director attendees
25 January 2023	11/11
26 April 2023	11/11[1]
20 July 2023	11/11
18 October 2023	9/11
15 November 2023	10/11
14 December 2023	10/11
20 December 2023	9/11

[1] Board members replaced at the AGM in February 2023
- Andre Al Sayegh
- H.E. Mussabeh Al Kaabi
- H.E. Jassim Al Seddiqi

Board Committees

The Board Committees play a crucial part in the decision-making process. They help support the Board in the execution of its responsibilities. These specialist committees help share the Board's workload and the detailed involvement of Board members in the committees allows them to have better oversight of the activities of the business.

Due to their specialised nature, committees are able to conduct research and analysis of technical matters. They are empowered to make recommendations to the Board for ultimate approval. The FAB Board has established the four Board Committees set out below. Each committee has an independent non-executive director as the Committee Chair. The committees are required to meet as frequently as deemed necessary to fulfil their objectives and to allow sufficient time for discussions, presentations, deliberations and decisions to be taken.

Board Management Committee (BMC)

The BMC provides key management support to the Board, overseeing the management of the FAB Group's portfolio, ensuring alignment with the Bank's strategic policies and that business is conducted within the Bank's risk appetite. In 2023, the BMC reviewed and approved the Bank's financial performance, its risk and credit risk appetite, key technology investments and capital expenditure. It also oversaw the implementation of the Bank's local and international projects and strategy, taking into account market changes and challenges.

In 2023, the BMC held nine committee meetings.

BMC Meeting Attendance

Date of meeting	Number of attendees
24 January 2023	4/5[1]
25 April 2023	2/3
22 June 2023	3/3
12 July 2023	3/3
18 July 2023	3/3
2 October 2023	3/3
4 October 2023	2/3
16 October 2023	3/3
7 December 2023	2/3

Committee composition
As at 31 Dec 2023

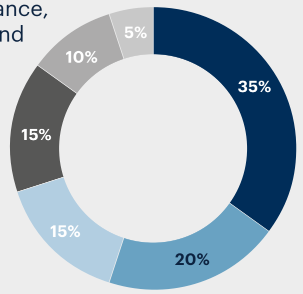
His Excellency
Sheikh Mohamed bin Saif Al Nahyan
Vice Chairman
Independent Non- Executive Director

His Excellency
Mohamed Saif Al Suwaidi
Independent Non-Executive Director

His Excellency
Waleed Al Mokarrab Al Muhairi
Independent Non- Executive Director

Time allocation for 2023 BMC meetings

- Bank Divisional Performance, Financial Performance and Projections
- Capital Expenditure
- Annual Budgets
- Strategy
- Dividend Distribution
- ISSC



[1] In January 2023 the BMC membership was 5 and following the AGM changed to 3.

Board Remuneration and Nomination Committee (REMCO)

The REMCO approves and oversees the Bank's compensation and reward design and its implementation. The REMCO also supports the Board with recommendations for key senior management appointments. In 2023, the REMCO performed a full review of the total compensation for senior executives including the introduction of long-term incentives to align senior executive compensation with the Bank's long-term objectives. It also approved EXCO succession planning, the appointment of senior management positions and director appointments for local and international subsidiary Boards. The REMCO also approved local and international human resources and remuneration policies.

In 2023, the REMCO held two committee meetings.

REMCO Meeting Attendance

Date of meeting	Number of attendees
24 January 2023	2/3
21 November 2023	3/3

Committee composition
As at 31 Dec 2023

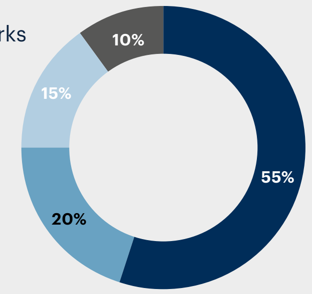
His Excellency
Sheikh Mohamed bin Saif Al Nahyan
Vice Chairman
Independent Non- Executive Director

His Excellency
Mohammed Thani Murshed Ghannam Alrumaithi
Independent Non-Executive Director

His Excellency
Waleed Al Mokarrab Al Muhairi
Independent Non- Executive Director

Time allocation for 2023 REMCO meetings

- Remuneration: approval of frameworks and overseeing implementation
- Subsidiary Board Governance
- Succession Planning and Board and Senior Management Appointments
- Policy reviews and approvals



Board Risk and ESG Committee (BRESGC)

The BRESGC provides holistic oversight and advice to the Board on the Enterprise-wide Risk Strategy and Risk Profile of the FAB Group. The committee approves the Risk appetite Framework in line with the business strategy and operating environment and drives the desired risk culture in the Group. It reviews the reports on risk profile, stress tests, initiatives and mitigating actions for risks such as capital, liquidity, credit, market and interest rate risks. The committee also oversees the framework and risk posture for managing other enterprise risks such as Operational, Fraud, Information security, Technology Risks, Model risk, Legal, ESG, Corporate Governance, Shari'ah compliance, reputation, strategic risks and approves related Group policies and frameworks.

During 2023, the committee reviewed the progress of implementation of FAB's ESG strategy to become net zero in line with UAE Strategic Initiative of Net Zero by 2050. The committee was updated about the global and regional ESG trends, programmes and initiatives for COP 28 in the UAE, ESG regulatory landscape, Climate risks and Stress tests, ESG reporting and disclosures. The committee reviewed and approved the Bank's approach to reduce financed emissions for the high-emitting sectors. The Committee also approved the ESG Risk Framework and Policies and compliance with ESG scorecards and key risk indicators.

In 2023, the BRESGC held four committee meetings.

BRESGC Meeting Attendance

Date of meeting	Number of attendees
11 January 2023	4/5
19 April 2023	4/5
18 July 2023	5/5
16 October 2023	4/5

Committee composition
As at 31 Dec 2023

His Excellency
Dr. Sultan Ahmed Al Jaber
Independent Non-Executive Director

Her Excellency
Mariam bint Mohammed Saeed Hareb Almheiri
Independent Non-Executive Director

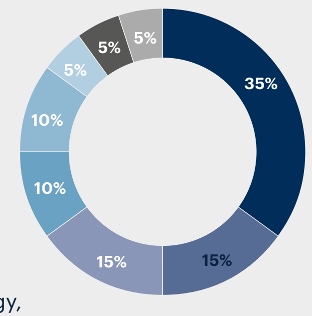
His Excellency
Sheikh Ahmed Mohammed Sultan S. Aldhaheri
Independent Non-Executive Director

His Excellency
Mohammed Thani Murshed Ghannam Alrumaithi
Independent Non-Executive Director

His Excellency
Homaid Abdulla Al Shimmari
Independent Non-Executive Director

Time allocation for 2023 BRESGC meetings

- Review of Group Risk Profile and Group Risk Appetite
- Review of Capital, Liquidity, Asset Quality and Market Risk Reports
- ESG Strategy and ESG Risk Reports
- Reports on Technology, Risk, Information & Cyber Security, Business Continuity and Third Party Risk Reports
- Regulatory Updates
- Model & Model Risk Management
- Operational and Fraud Risk Reports
- Macro Economic/Geopolitical Updates



Board Audit Committee (BAC)

The Board Audit Committee (BAC) provides oversight of Internal Audit as well as Group Compliance and the statutory external auditors. It has oversight of the Group including international branches in order to provide a reasonable level of assurance on overall controls, levels of compliance and the governance of these operations. As part of these responsibilities, the BAC provides oversight of the various Regulatory Reviews and Examinations and discusses the regulations and laws impacting the Bank and the Group's Internal Audit and compliance processes. The BAC oversees the coverage of asset quality matters, credit loss reserve levels and monitoring of both the business lines.

In 2023, the BAC approved the Bank's risk-based Audit Plan, Budget and Resource requirements, endorsed the revision and updates of charters, policies and procedures aligning with the UAE and International Standards and Regulations related to Internal Auditing and the CBUAE Corporate Governance Regulations, including departmental initiatives and Group Internal Audit KPIs which are monitored on a yearly basis. The Committee assessed a range of internal and external factors including cyber threats, business resilience and continuity and operational and fraud risks. The BAC also discussed the proceedings of FAB's Subsidiary Board Audit Committee meetings across several countries.

As part of its Group Compliance oversight, the BAC reviewed and endorsed Group Compliance policies and proactively discussed the management of Compliance Risks within the FAB Group.

The BAC met with the External Auditor periodically to discuss matters pertaining to the quantitative and qualitative aspects of the Bank's financial results, including Financial Statement Disclosures. This included oversight of the performance of the Statutory Auditors, their independence, materiality of issues and the re-appointment of the auditors at a Group level.

In 2023, the BAC held four Committee meetings.

BAC Meeting Attendance

Date of meeting	Number of attendees
24 January 2023	5/5
25 April 2023	4/5
19 July 2023	4/5
16 October 2023	5/5

Committee composition
As at 31 Dec 2023

His Excellency
Jassem Mohammed Bu Ataba Al Zaabi
Independent Non- Executive Director

His Excellency
Mohamed Saif Al Suwaidi
Independent Non-Executive Director

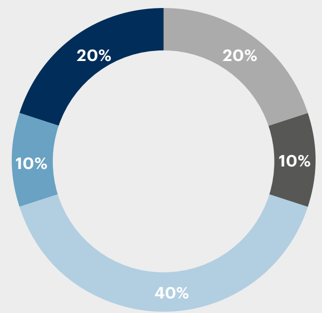
His Excellency
Sheikh Ahmed Mohammed Sultan S. Aldhaheri
Independent Non-Executive Director

His Excellency
Homaid Abdulla Al Shimmari
Independent Non-Executive Director

His Excellency
Khalifa Ateeq Al Mazrouei
Independent Non-Executive Director

Time allocation for 2023 BAC meetings

- Group External Auditors
- Group Finance
- Group Internal Audit
- Group Internal Shari'ah Audit
- Group Compliance



External Auditor

1. Oversight by Board Audit Committee

The Board Audit Committee is responsible for overseeing the work of the Statutory Auditor and will meet with the Statutory Auditor at least once per year without the presence of management to discuss matters related to the Audit and their observations. During the fourth quarter of each year, the audit and audit related services list is obtained from the Statutory Auditor along with its related fees (paid and to be paid) and this is presented to the Board Audit Committee meeting in the following financial year (generally held at the end of January each year). Subsequently, if for any reason, the audit fees exceed 10% of the last approved amount, then incremental amount must be approved by CFO and tabled for ratification by the BAC at the following Audit Committee meetings prior to payment. No additional authority is delegated for approval of services obtained from the statutory auditor. Unused pre-approval amounts are not carried forward to the next year. Pre-approvals will be made by category of service and cannot be transferred between categories. The FAB Group Board Audit Committee keeps the Board of Directors advised at least on an annual basis of the fees paid to the Statutory Auditor for Audit, Audit Related and Non-Audit services. The written advice includes:

- The total amounts paid or payable to the Statutory Auditor for non-audit services provided during the year and the proportion of such fees in relation to the Audit fee; and
- Confirmation that the Board Audit Committee is satisfied that the provision of non-audit services during the year has not compromised the independence of the Auditors.

2. Management of Non-audit services

Permitted non-audit services are those services that are permissible under the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and can be performed by the Statutory Auditor of the Group. For these services, when the Statutory Auditor is engaged, the scope of the services and the fees can be proposed / recommended by the CFO and to be approved by the Group Board Audit Committee. Additionally, these engagements including the nature and amounts are reported to the Group Board Audit Committee on a quarterly basis.

Appointment of auditors

The FAB Group Board is responsible for the recommendation of an independent Statutory Auditor, based on inputs received from Group Finance through the BAC, with the appropriate skills, knowledge, resources, sufficient experience and who is accredited / licensed by the relevant authorities, subject to shareholder approval at the AGM and approval from CBUAE.

Selection Criteria

The Board Audit Committee will evaluate potential Statutory Auditors on several criteria including, but not limited to:

- The auditor being properly constituted in accordance with relevant laws and regulations;
- The independence of the Statutory Audit firm from FAB Group and its ability to maintain independence throughout the engagement; FAB Group has a right to immediately terminate the service of the Statutory Auditor once their independence has been compromised;
- There being no conflict-of-interest situations that could affect the independence of the Statutory Auditor;
- Arrangements that are proposed to enable partner rotation and succession planning;
- Professional competency, experience and integrity of key personnel;
- Compliance with relevant professional Codes of Ethics;
- Thoroughness of the audit approach and methodology; and
- Cost effectiveness.

The Statutory Auditor is appointed on an annual basis in accordance with applicable laws and regulations in force and their total duration of appointment shall not exceed a maximum of six consecutive years. In the event that the FAB Group Board, or the shareholders at the AGM, decide that a new Statutory Auditor is required:

- The Board Audit Committee will prepare a shortlist of candidates that meet their selection criteria and ascertain their willingness to act as Statutory Auditor;
- Interested candidates will be required to submit a proposal addressing the Board's criteria as well as a statement that they are independent;
- The Board Audit Committee will interview candidates in order to further assess their suitability;
- The Board Audit Committee will subsequently meet to determine the preferred candidate and make a recommendation to the Board on the selected candidate and the recommended auditor engagement fees;
- When reappointing a Statutory Auditor from one fiscal year to another, the audit quality indicators for the Statutory Auditor's work throughout the previous year must be evaluated, and ADAA's comments on the performance of the Statutory Auditor as well as any other matters that may affect the decision to reappoint the Statutory Auditor shall be taken into consideration;
- The FAB Group must carry out a procurement procedure to rotate the external audit firm at least once every six years. Following rotation, a cooling off period of three years must be observed before the same firm may be reselected. In addition, the Bank must rotate the external audit partner in charge of the audit every three years.

Auditor's Remuneration

	31 Dec 2023 AED'000
Audit services	11,700
Audit related services	8,190
Non-audit services	4,611
Total auditor's remuneration	24,501

Audit services

Audit services can be defined as services rendered by the Group's statutory auditor for the audit and review of the financial statements or services that are normally provided by the statutory auditor in connection with statutory and regulatory filings. These services shall be submitted for approval to the Board Audit Committee as part of the annual audit plan cycle.

Audit related services

Audit related services are services other than 'audit services' for which the auditor of the entity is an appropriate provider particularly where those services are required by a law or regulation relating to the jurisdiction and activities of the subject entity.

Non-audit services

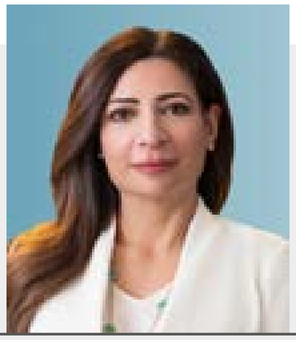
Non-audit services are services which do not fall in the above two segments of service and are also not part of prohibited services.

2023 Audit

No reservations were raised by the external auditor in respect of the Audit year ended 31 December 2023.

Senior Management

All senior management are members of the Group Executive Committee (EXCO), FAB Group's most senior management level committee. The EXCO operates under a delegated authority from the FAB Board. The EXCO and its individual members support the Group CEO to determine and implement the Bank's strategy as approved by the FAB Board.



Hana Al Rostamani
Group Chief Executive Officer

Hana Al Rostamani is the Group Chief Executive Officer (CEO).

Recognised for being a change leader, focused on embedding a culture driven by innovation, diversity and inclusion, Hana is the first female CEO of a UAE-based bank. With more than 25 years of experience in banking and financial services, Hana brings proven industry experience to the Group. Prior to being named CEO in January 2021, she was Deputy Group Chief Executive Officer and Group Head of Personal Banking at FAB, responsible for leading the transformation of FAB's consumer banking and instilling a customer and digital-first mindset. Prior to joining FAB, Hana held various roles of increasing domestic and international responsibility at First Gulf Bank, Citibank and AW Rostamani Group.

Hana is currently Chair of the Global Council on the Sustainable Development Goals, with a key interest in development goal 7, 'Affordable and Clean Energy'. She is a Board member of several entities, including: Buna, the Arab Monetary Fund's cross-border payment system aimed at strengthening investment ties among Arab economies; the Institute of International Finance (IIF), the financial industry's global association; the International Institute for Management Development (IMD), a renowned academic institution consistently ranked among the leading management and executive education centres globally; and the Executive Board of the US-UAE Business Council.

Hana is a graduate of George Washington University in the United States, where she earned a bachelor's degree in business administration and a master's degree in Information Management. Hana's most recent accolades include being the highest-ranked female CEO in the MENA region, in Forbes Middle East's Top CEOs 2023 listing, and among the top 15 global women finance leaders. Hana is a UAE native, and she is married with three children.

Lars Kramer
Group Chief Financial Officer

Lars Kramer is the Group Chief Financial Officer (CFO). He has the responsibility to oversee the bank's financial activities, including Group-wide finance, treasury, investor relations, and strategy. Lars joined FAB from Netherlands-based ABN AMRO where he was CFO from June 2021. He has extensive banking industry experience across several senior leadership positions including as Group CFO at Hellenic Bank.

For almost 20 years he worked with ING, where he was CFO for ING Direct, ING Retail Banking Direct and International, and ING Commercial Bank. With his extensive industry expertise, Lars can provide insights and commentary on capital markets, portfolio management, credit risk, financial risk, and asset and liability management – and he is also a trusted voice on issues related to tax and banking strategy. Lars is a Chartered Accountant and holds a Bachelor of Science in Accounting from the University of South Africa and a Master of Business Administration (MBA) from the University of Cape Town, specialising in finance, markets, and strategy.

Pradeep Rana
Group Chief Risk Officer

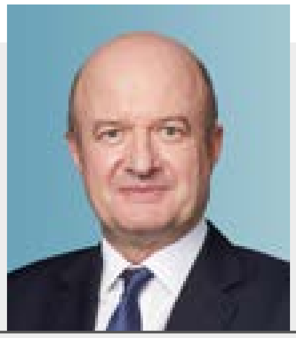
Pradeep Rana is the Group Chief Risk Officer. He also has responsibility for Corporate Governance, Group Legal and Group Environmental, Social and Governance (ESG).

Pradeep is an international banker with over 25 years of experience in roles that have spanned global and regional leadership at ABN AMRO, Standard Chartered Bank and Danske Bank.

He brings strong international experience having worked in multiple international locations namely India, Hong Kong, South Korea, Singapore, the Netherlands, UK and Denmark, covering a variety of leadership roles in Fixed Income Syndications, Wholesale Credit, Strategic and Reputational Risk, Trading Risk Management, Market, Liquidity and Operational Risk, Retail Credit, Compliance and Enterprise Risk Management.

Pradeep holds a B.Eng. (Hons) in Mechanical Engineering from University of Surrey, United Kingdom and an MBA from the Rotterdam School of Management, Erasmus University, Netherlands.

Pradeep sits on the Board of Governors for GCC Board Directors Institute.



Martin Tricaud
Group Head of Investment Banking and Acting Group Head of International Banking

Martin Tricaud is the Group Head of Investment Banking. He is also the acting Group Head of International Banking.

Martin has over 30 years of banking and corporate finance experience across institutional businesses. In his role at FAB, Martin has the responsibility for leading and growing our group-wide Investment Banking business, overseeing Global Corporate and FI Coverage, and Global Corporate Finance. With a focus on regional expansion, Martin has led the development of the FAB product proposition and the client coverage model and is reinforcing FAB's positioning as a regional leader in the Investment Banking space. Martin has also been instrumental in the development of FAB's ESG proposition.

Prior to joining FAB, Martin held several senior positions with HSBC group, including Deputy Chairman and CEO for the Middle East, North Africa and Turkey, and was Group General Manager at HSBC. He was also the CEO for HSBC Australia and for HSBC Korea and held senior leadership positions over two decades at HSBC Global Banking and Markets across the Middle East, the UK and Europe.

In addition to leading FAB's Investment Banking franchise, Martin is the Chairman of the bank's FAB Suisse subsidiary and Vice Chairman for the FAB Capital Saudi Arabia Board.

He is also a trustee of the Universite Paris II Assas, Sorbonne, and was appointed by French Prime Minister decree a Conseiller du Commerce Exterieur de la France in 2001.

Martin graduated from the Institut d'Etudes Politiques de Paris, holds a Master's in Law from La Sorbonne University, Paris, and a bachelor's degree in history from Paris Nanterre University. Martin has lived in the Middle East (UAE and Egypt) for 12 years.

Sameh Abdulla Al Qubaisi
Group Head of Global Markets

Sameh Al Qubaisi is the Group Head of Global Markets. He oversees the bank's award-winning global markets function which includes trading, sales, products, and research as well as new product capabilities to fuel the momentum and appeal of FAB's global client base.

With a combination of broad reach, deep insight, and responsive world-class tailored products and a cross-asset platform – the Global Markets Teams under Sameh enables its clients to pursue global growth quickly and carefully while managing risk. The team that Sameh oversees, in particular its FX, research, and overall business functions have drawn multiple accolades from Euromoney, AsiaMoney, Global Finance, IFC and other global and regional industry experts.

Sameh previously served as Director General of Economic Affairs at the Abu Dhabi Department of Economic Development. In this role, he led teams responsible for delivering Abu Dhabi's economic strategy, overseeing SME policymaking, logistics and trade facilitation, the Competitiveness Office of Abu Dhabi, the Industrial Development Bureau, and the Abu Dhabi Residents Office.

He was also Executive Director of Business Enterprise at the Abu Dhabi Investment Office (ADIO) where he was primarily responsible for investments and Public Private Partnerships, playing a key role in scaling up ADIO's coverage, capabilities, and offerings.

Sameh's 15-year career in global banking and finance and long-standing expertise in wholesale banking, risk management and global markets plays a crucial role in his efforts towards achieving macro-economic diversification initiatives. He spent more than a decade at the National Bank of Abu Dhabi and has held a number of leadership roles at CAPM Investments, Finance House, Standard Chartered Bank, HSBC, and National Bank of Dubai.

Sameh holds a Bachelor's degree in International Relations with a minor in Political Science and Economics from Rollins College, USA.

Sara Al-Binali
Group Head of Corporate and Commercial Banking

Sara Al-Binali is the Group Head of Corporate and Commercial Banking.

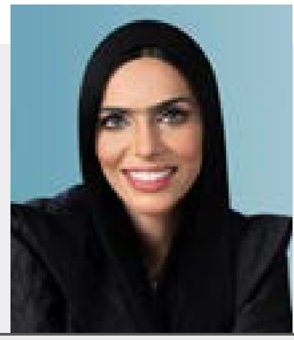
Sara has over 24 years of experience in financial services, investment, and banking. In her role at FAB, she is responsible for leading and growing the Corporate and Commercial division and for ensuring that it is aligned with the Group's overall vision, strategy, and direction.

Prior to this role, she served as the Head of Business Banking – responsible for driving the SME business for FAB. She also headed Strategic Planning for FAB and at First Gulf Bank (FGB) as it was known then, before FAB was created as a merged entity of FGB and the National Bank of Abu Dhabi (NBAD). Before this she was Deputy Head of FGB's International Business Group.

Sara started her career at the Abu Dhabi Investment Authority (ADIA) working across several key investment management roles that were specifically focused on Far East Equities.

She sits on number of boards including First Abu Dhabi Bank Securities, FAB Capital KSA, and Reem Finance.

Sara graduated from Northwestern University in the United States with a degree in economics – and holds an Excellence and Awareness certification that she obtained at INSEAD's Singapore campus.



Futoon AlMazrouei
Group Head of Consumer Banking – UAE

Futoon AlMazrouei is the Group Head of Consumer Banking UAE. With over 15 years of experience in the banking sector, she has garnered a plethora of awards in recognition of the value that she has brought to the banking and financial sector.

Futoon brings extensive experience to her current role, having previously held leadership positions within FAB's consumer banking business, including her role as Head of Elite Banking, where she was central to driving the Group's digital transformation agenda.

Futoon has always been an advocate for customers and at the forefront of digitalization of banking services as part of ensuring that banks serve their customers safely and securely. Under her leadership, FAB's Consumer Business has received multiple awards, including: the MEA Finance Award for Best Mobile Banking Service Implementation, the Best Use of Data and Analytics at the Digital CX Awards for Dubai First in 2023, further cementing Futoon's vision for the Bank's consumer services.

In addition to winning awards for the Bank, Futoon has been named one of the Middle East's Top Women in Banking by Global Money Monitor in 2023 and is the first woman to sit on the board of the Abu Dhabi National Insurance Company (ADNIC). Futoon is the Council Member for Visa and Member for Mastercard MENA Executive Council (MMEC). She also sits on the boards of several prominent companies in the GCC and North Africa such as FAB Islamic, WIO Bank, Bank FABMISR. She is a Board member of the Sheikha Fatima Fund for Women Refugees.

Futoon holds a Bachelor of Science and Mathematics degree from UAE University, Al Ain and graduated from the Executive Program in International Management at Stanford Graduate School of Management in Singapore.

Michel Longhini
Group Head of Global Private Banking

Michel Longhini is the Group Head of Global Private Banking where he is responsible for strengthening the bank's private banking proposition and reach by driving growth and depth across its international footprint. Michel focuses on enhancing FAB's offering by ensuring that the bank's Global Private Banking platform creates long-term prosperity for its clients through highly customised solutions and access to dynamic investment opportunities.

Michel has three decades of experience in private banking and prior to joining FAB he was the CEO of Private Banking at Edmond de Rothschild in Switzerland. Before this, he was the CEO of Private Banking at Union Bancaire Privée (UBP SA) in Geneva. Michel spent a substantial part of his career in leading positions across BNP Paribas wealth management. In all his leadership positions, Michel managed teams and developed relationships with key clients based in the UAE.

He is a graduate from the Emlyon Business School in Lyon, France.

Suhail Bin Tarraf
Group Chief Operating Officer

Suhail Bin Tarraf is the Group Chief Operating Officer (Group COO).

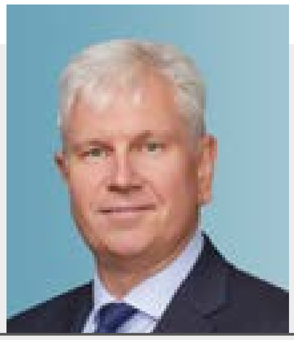
As Group COO, Suhail works to achieve FAB's overall vision by ensuring that its business strategy is monitored and translated into annual operational business plans. He is also a leader in championing operational and technology change initiatives regionally and internationally.

His responsibilities include capitalising on opportunities for performance enhancement, ensuring cost-effective service development while upholding quality standards and establishing operational infrastructure for the Group's expansion into new markets.

Suhail also spearheads the Group's IT strategy from support and assurance as well as steering innovation in data analytics, data governance and procurement to improve customer experience and operational excellence.

Suhail brings nearly 25 years of senior expertise in strategy, operations, technology and human resources to his role. Prior to joining FAB, Suhail served as the Chief Operating Officer for Emirates Islamic Bank. He was previously Chief Executive Officer of Tanfeeth, the shared services subsidiary of the Emirates NBD Group, rounding out a 22-year career with the Group where he led Human Resources and other operational units.

Suhail is a graduate of the Harvard Business School's General Management Programme and has an MBA from The International University. He also has a bachelor's degree in business administration from the American University in Dubai and a series of professional qualifications from institutions including INSEAD and the Hult Business School. He is one of the UAE's leading falconers.



Gareth Powell
Group Chief Human Resources Officer

Gareth Powell is the Group Chief Human Resources Officer. He is responsible for leading and developing the bank's people and human resources proposition.

He has extensive experience in HR functional leadership, including a background and track record in delivering culture change, talent development, and change programmes. Most recently, he was the Chief Human Resources Officer at Commercial Bank of Dubai, and prior to that, he was Chief Human Resources Officer for First Gulf Bank from 2011 to 2016.

Throughout his career, Gareth has held both generalist and specialist roles covering business and HR issues at both a tactical and strategic level.

Previously, Gareth was at HSBC for nearly 20 years where he held a variety of senior roles across the group in locations such as Hong Kong, London, the Unites States, Latin America, and the UAE.

He holds a Bachelor of Arts degree in Spanish and French from King's College, University of London, as well as professional qualifications from the Graduate Institute of Personnel Management at Thames University. Gareth is also Fellow of the Chartered Institute of Personnel & Development (CIPD) and is accredited by the British Psychological Society in Psychometric Assessment.

Tracy S. Faulkner
Group Chief Communications & External Relations Officer

Tracy S. Faulkner is the Chief Communications and External Relations Officer. Tracy is responsible for leading the strategy to strengthen and protect FAB's image, brand and reputation in local, regional and international markets. She oversees Communications, Brand, Marketing, Strategic Partnerships, Corporate Social Responsibility and live event experiences.

With over 30 years of multi-industry and cross functional experience across six continents, Tracy joined FAB from Majid Al Futtaim, a leading retail conglomerate in Africa, Asia and the Middle East, where she was Chief Communications and Public Affairs Officer. Prior to this role, Tracy was Vice President, Global Communications, at Shell, a global energy and petrochemical company. Before joining Shell, she held senior roles of increasing domestic and international responsibilities in the US Federal Government and General Motors.

Tracy has a bachelor's degree in Mass Communications Management from Clark-Atlanta University in Atlanta, Georgia. She completed the Harvard Business School Executive Education Program and Center for Creative Leadership Development Program. She is a Board member of the Arthur W. Page Society and Institute for Public Relations, and Vice President of Alpha Kappa Alpha Sorority, Incorporated, Omega Theta Omega Chapter.

Nurendra Perera
Group Chief Audit Officer

Nurendra Perera is the Group Chief Audit Officer. He is responsible for providing independent assurance to the Bank's Board of Directors and Senior Management on the quality and effectiveness of the Group's Internal Control environment covering its Systems & Processes, Risk Management, Compliance & Corporate Governance Framework.

Nurendra has more than 30 years of banking experience and has held senior positions in Governance, Risk Management, Compliance and Internal Audit in prominent UAE and international banks.

Nurendra holds a Masters' Degree in Business Administration, having majored in Finance Honours from University of Leicester (UK), a Post Graduate Diploma in Consortium Executive Leadership & Organisation Design from University of INSEAD, including the following internationally accredited qualifications: CIA, CFSA and CRMA from the Institute of Internal Auditors (USA), CISA and CRISC from ISACA (USA), CIB from The Chartered Institute of Bankers (UK).

Rajesh Deshpande
Acting Group Chief Credit Officer

Rajesh Deshpande is a seasoned career banker with over 23 years of experience in the Banking sector and is currently serving as Acting Group Chief Credit Officer.

Before transitioning into Credit Risk, Rajesh's diverse experience covered roles in Relationship Management, Corporate Finance; focusing on Project and Asset backed Finance, Leverage Finance and Private Equity. Primarily in the Middle East, Rajesh has successfully led structuring teams on several landmark Project Financing and Leverage Finance transactions.

Prior to joining FAB, Rajesh worked with National Commercial Bank, Gulf International Bank and Abu Dhabi Commercial Bank.

Rajesh holds a Chartered Accountancy degree from The Institute of Chartered Accountants of India and completed his MBA from the Manchester Business School, UK.

Nizar Qaiser Luqman
Acting Group Chief Compliance Officer

Nizar Qaiser Luqman is the Acting Group Chief Compliance Officer. In this role, he is responsible for overseeing compliance within the FAB Group both domestically and internationally – ensuring compliance with applicable laws, regulatory requirements, policies, and procedures.

Nizar is a seasoned career banker with over 26 years of experience in the sector, he has extensive experience in auditing, quality assurance, internal control, enterprise risk assessment, credit, and operations. Before taking up his current post, he was and Executive Vice President, Group Internal Audit at FAB.

Throughout his career, Nizar has obtained numerous certifications including Certified Internal Auditor, Certified Anti-Money Laundering Specialist, Certified Fraud Examiner, Certified Financial Services Auditor and CIMA Certificate in Islamic Finance.

Alongside this, Nizar has completed several specialised post-graduate certifications from several leading global business schools.

Delegation of Authority

The Board sets the strategic objectives and risk appetite of the Bank and oversees management. The Board reserves certain powers for itself and delegates certain authority and responsibility for day-to-day management of the Group and the execution of its strategic priorities to the Group CEO.

The CEO in turn delegates certain authorities and responsibilities to Group Executives. Irrespective of any delegation by the CEO, the CEO remains accountable to the Board for the exercise of delegated power and management's performance.

The powers are delegated via Powers of Attorney (POAs) issued by the Chairman and in turn the CEO. In 2023, FAB revised and renewed the Powers of Attorney issued to the CEO and to a select group of Group Executives. These revised and renewed Powers of Attorney are in place for a period of three years and receive legal and notary review to ensure the powers are appropriately documented.

Further POAs may be issued to other staff in the bank or to external representatives, such as legal advisors, as appropriate.

Remuneration

FAB's remuneration practices are designed to align the performance and conduct of employees to sustainable business strategies, while ensuring compliance with the statutory framework of jurisdictions in which the bank operates.

In 2023, Hana Al Rostamani, the Group Chief Executive Officer, was paid a total of AED 14,670,965, Lars Kramer, the Group Chief Financial Officer (who commenced 1st May 2023), was paid a total of AED 3,000,000 and Pradeep Rana, the Group Chief Risk Officer, was paid a total of AED 4,828,157. All values are actual cash paid in 2023. In addition, the total remuneration paid in 2023 to all of the Bank's Group Executives was AED 62,196,749.

Through the Board and Executive Committees, FAB continues to evaluate its compensation practices with a view to adhering to the following principles:

Market Competitiveness (attraction and retention of talent)

- Overall remuneration and its components are benchmarked to the market annually, to ensure we remain competitive in line with our brand and value proposition
- Risk-appropriate and performance-aligned incentive / variable awards include vesting and cancellation provisions that retain employees and protect FAB's interests.

Pay for Performance and Shareholder Alignment

- Ensure a healthy pay-mix of fixed and variable pay, while focusing not only on "what" is achieved but "how" it has been achieved
- Variable pay is aligned with performance against a Balanced Score Card at individual and function-levels, and focuses on sustainable performance aligned to stakeholder interests

Risk Management

- Robust governance around review and approval of compensation programme, including the risk perspective
- Balancing the "risk-reward" relationship through appropriate deferral mechanisms that are applied on variable pay. Further, consequence management provisions for variable pay (both paid and deferred amounts) such as "malus" and "claw-back" are applied to strengthen the risk and reward alignment

Material Risk Takers

FAB has established a formal framework to identify employees whose professional activities have a material impact on FAB's risk profile, known as Material Risk Takers. The identification framework is reviewed on an annual basis in line with the prevailing rules set out by the regulator and the outcome of the review is subject to approval of the Human Resources Steering Committee.

Overall, FAB's approach to remuneration and reward is reflective of global best practices together with compliance with the statutory framework of the specific jurisdiction in which we operate.

Management Committees

FAB has a number of management committees. Each committee has a Board approved charter that outlines its authority, responsibilities, meeting frequency and practices, members and reporting.

The management committee structure helps drive senior level management decision-making within the Bank across a range of matters, including the management of strategic, financial, capital, risk, operational, information technology and people issues affecting FAB.

Committee	Responsibilities	Number of 2023 Meetings
Group Executive Committee (EXCO)	The EXCO supports the Group Chief Executive Officer to determine and implement the Group's strategy as approved by the Board including decisions on the annual budgets, monitoring ongoing budget management and business performance, decisions on key strategic initiatives and review of material projects and training on topics such as cyber resilience.	10
Group Assets and Liabilities Committee (G-ALCO)	The Group Asset and Liability Committee provides oversight of the structure and quality of the balance sheet. It is directly accountable to the BRESGC for ensuring that the risks within the Group's asset and liability position are prudently managed, supported by the Bank's policies and procedures and an appropriate risk framework.	9
Group Technology Steering Committee (GTSC)	GTSC has oversight responsibilities for all technology and information systems across the FAB Group and supports the work of the BRESGC in its oversight of the Group IT governance framework. GTSC makes recommendations to Group EXCO regarding significant technology investments in support of the Group's strategy. GTSC also ensures alignment of business strategies with technology priorities and acts to protect investment in technology. In 2023, GTSC provided executive oversight for a technology evolution programme and the technology investment portfolio along with the technology budget position on a monthly basis. It also provided oversight of strategic projects via the Central Program Management Office as well as technology service management such as service quality improvements and resilience together with approving technology related policies.	14
Group Risk Committee (GRC)	The GRC develops and recommends the Group Risk Strategy, Enterprise Risk framework, Risk appetite and risk policies, in line with the Group's strategy and business plan. The GRC monitors the Group risk profile and risk culture. The GRC meets on a quarterly basis and reports relevant matters to the Group EXCO, and as appropriate, directly to the BRESGC. In 2023, the GRC reviewed reports on the impact of macroeconomic geopolitical environment on FAB Group's risk profile, Enterprise risk map and appetite reports, capital position and results of stress test, Group risk management initiatives and special risk papers on present and emerging risk matters.	4

Committee	Responsibilities	Number of 2023 Meetings
Group Credit Committee (GCC)	The GCC is responsible for development and implementation of Bank's Credit and lending strategies and related policies and procedures. GCC oversee the Bank and its subsidiaries credit performance and portfolio quality.	11
Group Compliance Committee	The Group Compliance Committee oversees the bank's regulatory responsibilities and ensures compliance with the rules and regulations applicable to FAB, both domestically and across its International operations. The Committee provides proactive and continuous oversight of regulatory trends, themes and issues impacting FAB globally. During 2023, the Committee directed and oversaw the management of compliance risk across all FAB business lines and geographies, including the deployment of a new Group Compliance Policy and Compliance Risk Management Framework, in the context of rising regulatory scrutiny and geopolitical uncertainty across the international financial services sector.	4
Group ESG Committee	The Group Environmental, Social and Governance Committee is responsible for promoting and overseeing the ESG strategy, net zero plans, culture and awareness across the FAB Group. The Committee reports relevant matters to the Board Risk and ESG Committee, advising and informing them on the Group's ESG Framework and indicators. During 2023 the Committee reviewed the Group's ESG metrics progress against targets, endorsed FAB's operational roadmap to net zero by 2030 and sectorial financed emission reduction targets to the Board Risk and ESG Committee (BRESGC), approved several ESG reports and fostered an ESG culture in the Bank by making the carbon literacy training a requirement for all employees.	4
Group Human Resources Steering Committee (HRSC)	The aim of HRSC is to ensure FAB is positioned well as an employer of choice and our strategic people agenda is defined and executed. HRSC provides a forum to discuss and approve HR polices and initiatives and also governs implementation.	3
Group Technology Risk and Information Security Committee (GTRISC)	The GTRISC's primary objective is overseeing, reviewing and taking decisions on Technology, Information Security, Data Privacy and Business Continuity Management (BCM) related risk management, including its alignment to the risk appetite of the FAB Group. In 2023, the GTRISC convened six times and held continuous discussions on information/cybersecurity and its impact on the FAB's risk profile, provided oversight on FAB's Cloud Adoption strategy, monitored the evolving data privacy regulatory landscape to ensure ongoing compliance, provided oversight on Business Continuity Program to ensure Organisational resilience and also discussed and reviewed cyber insurance to manage the risk appetite of the Bank.	6
Group Operational and Fraud Risk Committee (GO&FRC)	The GO&FRC is responsible to review the Group's Operational Risk & Fraud Risk management strategy, monitor & ensure that the appropriate framework is in place, and assist BRESGC by overseeing the bank's operational & fraud risk management. The committee defines guidelines to identify and manage operational and fraud risks in all new products, processes, and activities. In 2023 amongst other things, the Committee initiated strengthening the risk ownership and management at first line by creating first line Risk & Control function for international offices. It further strengthened the Fraud Control strategy, amended the outsourcing policy and cleared other risk control measures.	6

Subsidiaries, Branches and Representative Offices

FAB has a number of international and local subsidiaries as well as international branches and representative offices spanning jurisdictions in Europe, America, Africa, the Middle East, and Asia. These provide a range of client-facing services.

All of the Group's international subsidiary companies, branches and representative offices are required to comply with the FAB Group Corporate Governance Policy and with the applicable laws and regulations that apply in their jurisdiction. FAB UAE subsidiaries are locally regulated subsidiary companies of the Group. Each local subsidiary operates within the Group's overarching Corporate Governance Framework along with individual frameworks and corporate governance arrangements suitable for their business with the Group's oversight and control. FAB's international subsidiaries must also comply with local regulatory requirements in their jurisdiction.

International and local subsidiaries have their own Board of Directors and Board Committees where required by law or regulation. Our international presence include Switzerland, the Kingdom of Saudi Arabia, Egypt, the USA (Curaçao), and India[1]. The Boards of these subsidiaries are comprised of senior banking professionals with a diverse range of skills across banking, finance and risk and other control functions and with an increasing emphasis on technology and ESG. Independent directors are also appointed in accordance with local regulatory requirements. All subsidiary board appointments must be approved by key senior management and the Group's Board Remuneration and Nomination Committee.

FAB also has an international presence through branches and representative offices in over 15 countries, providing operations and services at a local level and supported by regional and Group management as appropriate. This includes operations in the United Kingdom, Asia, Europe and several GCC countries. Each of the international branches is supported by a suite of local management-level committees which are managed locally with oversight by Group Corporate Governance. Under the international governance model, Group Corporate Governance ensures consistency throughout the international network, provides training and conducts assurance work to ensure compliance with Group-wide governance standards. Each international location is governed by a country specific International Banking Governance Framework.

[1]The FAB India board is the board of FAB Global Business Services Limited, which provides enablement services to the FAB Group.

List of principal UAE and international subsidiaries as at 31 December 2023

Legal name	Country of incorporation	Principal activities
First Abu Dhabi Bank USA N.V.	US (Curaçao)	Banking
FAB Securities LLC	United Arab Emirates	Brokerage
Abu Dhabi National Leasing LLC	United Arab Emirates	Leasing
Abu Dhabi National Properties Pvt. JSC	United Arab Emirates	Property Management
FAB Private Bank (Suisse) SA	Switzerland	Banking
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	Islamic Finance
Abu Dhabi Securities Brokerage Egypt[1]	Egypt	Brokerage
NBAD Employee Share Options Limited	United Arab Emirates	Shares and Securities
First Abu Dhabi Bank Representações Ltda	Brazil	Representative office
FAB Global Markets (Cayman) Limited	Cayman Islands	Global Markets Trading
Nawat Management Services - One Man Company LLC	United Arab Emirates	Services
Mismak Properties Co. LLC (Mismak)	United Arab Emirates	Real estate investments
Moora Properties Co. LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments
Shangri La Dubai Hotel LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments
First Merchant International LLC (FMI)	United Arab Emirates	Real estate investments
FAB Employment Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services
FAB Resourcing Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services
Horizon Gulf Electromechanical Services L.L.C. (Horizon) (Subsidiary of FMI)	United Arab Emirates	Real estate related services
Horizon Gulf General Contracting LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services
PDCS Engineering LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services
Horizon Gulf Oil and Gas Services LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services
FAB Sukuk Company Limited	Cayman Islands	Special purpose vehicle
First Gulf Libyan Bank[2]	Libya	Banking services
First Gulf Information Technology LLC (FGIT)	United Arab Emirates	IT Services
FAB Global Business Services Limited (Subsidiary of FGIT)	India	IT Services
FAB Capital Financial Company (A Saudi Closed Joint Stock Company)	Kingdom of Saudi Arabia	Financial Institution
First Abu Dhabi Bank Misr S.A.E (FAB Misr)	Egypt	Banking

[1]Under liquidation.
[2]FAB owns 50% of the share in First Gulf Libyan Bank and exercises control over the investee as it has a majority of votes on the Board of the entity.

Related Party Transactions

FAB recognises that appropriate management of related party transactions ensures conflicts of interest are managed and that such transactions are in the best interests of FAB.

In 2023, FAB implemented a new Related Party Transactions Policy to ensure its ongoing compliance with applicable regulatory obligations. In 2023, all related party transactions were considered and approved by the Board of Directors and made on arm's length commercial terms. Any Director with a conflict of interest in a related party transaction did not take part in the decision-making pertaining to such transaction.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, Directors and key management personnel of the Group. Key management personnel comprise the executive committee members of the Group who are involved in the strategic planning and decision making of the Group.

Balances and transactions with related parties at the reporting date are shown below:

	Board of directors	Major shareholders	Senior Management	Associates[1]	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
As of 31 December 2023					
Financial assets					
Investments at fair value through profit or loss	–	60,830	–	–	60,830
Reverse purchase agreements	–	538,691	–	–	538,691
Derivative financial instruments	–	51,636	–	–	51,636
Loans, advances and Islamic financing	2,845,809	30,982,683	106,486	861,978	34,796,956
Non-trading investments	–	3,787,601	–	–	3,787,601
Other assets	27,183	567,698	3,002	510	598,393
Financial liabilities					
Derivative financial instruments	–	223,708	–	–	223,708
Customer accounts and other deposits	13,038,346	8,649,230	47,052	824,731	22,559,359
Other liabilities	194,465	43,569	298	5	238,337
Contingent liabilities					
Derivatives	–	8,287,164	–	–	8,287,164
Letter of credits	–	351,934	–	–	351,934
Letter of guarantees	28,735	1,072,893	–	184	1,101,812
For the year ended 31 December 2023					
Interest income	153,399	1,715,430	2,696	41,926	1,913,451
Interest expense	257,181	635,481	851	96,726	990,239
Fee and commission income	2,649	60,946	22	16,227	79,844
Fee and commission expense	–	–	–	131,769	131,769
Net gain on investments and derivatives	–	90,523	–	34,854	125,377

[1] An associate is an investee over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Investment in associates is accounted under the equity method of accounting.

	Board of directors	Major shareholders	Senior Management	Associates[1]	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
As of 31 December 2022					
Financial assets					
Investments at fair value through profit or loss	–	88,543	–	–	88,543
Due from banks and financial institutions	–	4,583	–	–	4,583
Reverse purchase agreements	–	202,631	–	–	202,631
Derivative financial instruments	–	34,295	–	–	34,295
Loans, advances and Islamic financing	11,410,041	30,634,946	61,558	970,081	43,076,626
Non-trading investments	–	4,547,584	–	–	4,547,584
Other assets	142,926	491,479	978	306	635,689
Financial liabilities					
Derivative financial instruments	–	257,781	–	–	257,781
Customer accounts and other deposits	13,792,656	36,015,974	25,205	417,982	50,251,817
Other liabilities	134,867	207,979	80	–	342,926
Contingent liabilities					
Derivatives	–	6,306,699	–	–	6,306,699
Letter of credits	556	1,819,641	–	–	1,820,197
Letter of guarantees	328,169	571,761	–	184	900,114
For the year ended 31 December 2022					
Interest income	387,169	876,773	1,638	12,807	1,278,387
Interest expense	199,718	330,321	412	5,760	536,211
Fee and commission income	37,802	86,515	31	1,281	125,629
Fee and commission expense	–	–	–	94,817	94,817
Net gain on investments and derivatives	–	(390,294)	–	32,497	(357,797)

[1] An associate is an investee over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Investment in associates is accounted under the equity method of accounting.

Corporate Social Responsibility

Community Engagement

In 2023, FAB deployed volunteers, built partnerships and supported communities in need at home and abroad. Nearly 9,000 FAB volunteers contributed more than 27,000 hours to environmental and social programmes across the UAE and in the Levant, in partnership with 42 organisations and across 54 initiatives.

The initiatives ranged from providing sustainable housing to refugees in Jordan to a month-long exclusive Ramadan campaign to support families and individuals in the UAE. In alignment with the UAE's 'Year of Sustainability' and the COP28 conference, FAB championed a number of environmental and climate-conscious initiatives from ecosystem clean-ups in the marine and desert environs to a future-focused carbon awareness programme for 100 national schools.

Community Building

FAB's investment in sports activities reflects and supports the UAE's prioritisation of sports at the grassroots and professional levels.

FAB supports the National Sports Strategy to help grow involvement in diverse sports, the development of sports professionals, the discovery of talented young athletes, access to sports and activities, and advancing the UAE's profile in regional and international sporting venues.

FAB also recognises sports as a vital pipeline for youth development, particularly in the areas of competitiveness, excellence, sportsmanship, inclusivity and empowerment. Through its many partnerships, FAB provides access to coaching, equipment, facilities, experience and a pathway for professional advancement.

FAB's current sports partnership portfolio includes some of the most prominent UAE sports entities including: in football, Al Ain FC; in cycling, with UAE Team Emirates and the UAE Jiu-Jitsu Federation, representing one of the fastest growing and most popular sports in the country; and, in Formula 4 with support for rising talents.

FAB's sports partnerships complement its social and environmental activities, as outlined below:

Environmental

Clean Up UAE: Protect UAE's Desert	To mark UAE National Environment Day, CSR participated with Emirates Environmental Group, the UAE Ministry of Climate Change and Environment and UAE Ministry of Community Development and more than 6,000 people from different ages and nationalities for a desert cleanup. More than 50 FAB volunteers dedicated 216 hours towards this activity.
Supporting the UAE Ecosystem: Kayaking and Mangrove Planting	To mark UAE's Planting week, 160 FAB volunteers dedicated more than 640 hours to support the nation's critical mangrove ecosystem by learning about its importance in national ecology, kayaking through the mangroves in Ajman and planting more than 200 mangrove trees there.
Ghaf Planting Initiative at COP28	The FAB CSR team offered visitors to the FAB COP28 Pavilion a unique opportunity to cultivate practical gardening skills while contributing to UAE's environmental sustainability goals. This hands-on engagement not only enhanced visitors' knowledge but also made a meaningful impact, fostering a greener and more eco-friendly community. Together we planted 500 trees per day for each day of COP28, for a total of 6,000 trees (one per visitor).
Archireef: A holistic approach to find solutions that assist with marine ecosystems	FAB and Archireef, a nature-tech company specialising in restoring coral reefs, are working together to restore 100sqm of marine environment in and around Abu Dhabi. FAB's retail banking customers will be part of the project, with the opportunity to play an active role in the deployment of the artificial Reef Tiles, learn about marine biodiversity, and witness the programme's positive impact on biodiversity in our home waters. The CSR team sponsored marine biodiversity workshops for children at the COP28 FAB Pavilion, helping future generations develop a greater appreciation and understanding of the UAE's marine environment.

Social

Ramadan Campaign: • **Minutes of Giving** • **Aftir Campaign** • **Breaking the Fast Campaign with ERC** • **Ramadan Partner and Volunteer Recognition Ceremony**	In 2023, FAB introduced an exclusive Ramadan Campaign. Throughout Ramadan, FAB led a community campaign in Dubai and Abu Dhabi, where volunteers packed essential items to be distributed to families in need. The Aftir campaign ran for the entire month across five emirates, providing food to low-income families. Additionally, FAB collaborated with Emirates Red Crescent, organising volunteers to distribute Iftar meals in various locations. More than 6,750 FAB volunteers dedicated over 18,185 hours, distributing 46,000 meals and assisting more than 154,000 families.
Sustainable Housing for Refugees in Jordan with Emirates Red Crescent	FAB sponsored the construction of a 25-unit housing complex for the Emirati Jordanian Refugee Camp in Mrajeeb Al Fahood in Jordan, providing shelter for refugees fleeing Syria. The homes, assembled in the UAE, are crafted from environmentally friendly palm wood and powered by solar energy. This project is under the patronage of HH Sheikha Shamma bint Sultan Al Nahyan, Director of the UAE Independent Climate Change Accelerators (UICCA) and the Founder of the Shamma bint Sultan Sustainability Initiatives..

Sports

Women Athletes: FAB support Sheikha Hind Sports Tournament with Dubai Police	FAB supported the Sheikha Hind Women's Sport Tournament held at the Dubai Police Officers Club. This event proved an opportunity to honour the members of the Dubai Police who safeguard our communities. Impact: 192 athletes supported across 7 sports competitions
Cycle for a Cause	Through FAB's Cycle for a Cause initiative, amateur cyclists across the country contributed 224,991 kms and donated to 10 causes in various charity organisations across the Emirates.
Al Ain Football Club	In partnership with the Al Ain Football Club, FAB collaborated to bring Aftir campaign on the occasion of Zayed Humanitarian Day in Al Ain to distribute meals to families in need.
UAE Jiu-Jitsu Federation	More than 2,000 students between the ages of 4 and 16 attended daily jiu-jitsu classes and received training at the FAB Jiu Jitsu Academy in Zayed Sports City in the first six months of 2023, thanks to FAB's involvement and sponsorship. The Academy has made positive changes since its partnership with FAB, including opening new weekend classes and hiring additional coaches to meet the increasing demand from youth and young adults. The national Jiu-Jitsu team have secured outstanding global successes in 2023, including at the Asian Games and Jiu-Jitsu world championship. FAB has also partnered with the Abu Dhabi Jiu-Jitsu Pro Tour to launch the first ever Jiu-Jitsu competition in Egypt.

Climate Awareness

Carbon literacy, climate consciousness: FAB in multi-year partnership to boost climate action with Emirates Foundation	The partnership aims to increase climate-conscious behaviours at every level of UAE society, from residents to schools and businesses. The programme's first initiative includes a Carbon Literacy Programme to educate and empower diverse segments of the UAE, including school and university students, government and private sector employees, community groups and senior citizens. The Carbon Literacy Programme, which also will help participants understand, measure and reduce carbon footprints.

Education & Empowerment

Executive Education Programmes: **• Frontiers in Finance** **• Frontiers in Sustainability** **• Frontiers in Private Equity**	In 2023, FAB partnered with three world-leading education partners to continue developing the region's talent. More than 100 professionals from 30+ local, regional and global institutions participated in FAB's Executive Education programmes: Frontiers in Finance, Frontiers in Sustainability and Frontiers in Private Equity. An additional 50 participated in two COP28 simulations. The education partners include Yale School of Management, University of Oxford Said Business School and IMD Business School.

Sustainability

It is now widely recognised that ESG issues are a driver of both risk and opportunity for financial institutions. We have a responsibility to our stakeholders to ensure that ESG issues are effectively managed by the Bank.

With this in mind, we defined FAB's ESG Strategy with the goal of ensuring that the Bank adapts as stakeholder expectations evolve.

How Sustainability is governed at FAB

At FAB, we have ESG roles integrated within committees and teams to ensure we align with the Group's ESG Strategy, Frameworks and Policies. The Board of Directors directs our ESG ambitions in an ethical and transparent way to ensure long-term performance and sustainability. The Board's ESG strategic direction is communicated to the wider Group through the Board Risk and ESG Committee (BRESGC). The Group ESG Committee (G-ESGC), supports the BRESGC in overseeing the ESG culture and awareness across the Group, ensuring the ESG strategy is implemented and endorsing FAB's net zero pathway plans.

G-ESGC represents the highest authority at management level for all ESG related decision-making across the Group. It is supported by the ESG and Sustainable Finance Committee (ESG-SFC) that oversees the implementation of the ESG Strategy, Policy and Sustainable Finance Framework. The ESG direction set out by the Board is disseminated to the organisation through Group-wide ESG framework and policies and strategies which are developed and executed by the Group ESG team.

For further information, please refer to our reports published at Reports, Policy, and Frameworks I FAB - UAE (bankfab.com)

Emiratisation

FAB continues to provide its talented UAE Nationals various growth and development opportunities across the organisation thereby actively supporting the Emiratisation agenda of the country.

In 2023, FAB achieved 44% Emiratisation and will carry on driving representation throughout the bank as part of our Emiratisation strategy. A testimony of this commitment towards Emiratisation is reflected in senior management with 33% of FAB's Group Executive Management positions and 92% of management roles across our UAE branches now held by UAE Nationals. Female UAE National employees also constitute 77% of the total Emirati workforce.

To support the growth and development of UAE Nationals, FAB conducts development centres to identify skills gaps and provides various development programmes for employees according to the needs of the business or the role. These bespoke programmes are designed and launched in-partnership with leading global organisations and institutions. During the year, we provided nearly 85,000 hours of learning with a focus on developing skills for tomorrow in the areas of digital, functional and leadership capability. We also sponsor UAE Nationals to pursue higher education qualifications through our Education Assistance Scheme.

FAB additionally provides UAE Nationals with exposure to international experiences, as part of our Global Mobility programme across our international locations. The program provides UAE Nationals with the opportunity to enhance their professional growth through broadening their skills and building relationships with colleagues from different backgrounds and cultures.

In addition to the above, we have launched the Ethraa Programme for young UAE Nationals in partnership with Emirates Institute of Finance (EIF) to attract and develop Emirati graduates by building their knowledge of banking products and services. Participants undergo a structured six month learning journey designed around the technical skills and functional skills required in specialised learning streams. We currently have more than 170 active employees in this program which will provide a critical pipeline of talent to our future leadership roles.

Emiratisation First Party Staff	Unit	Scope	2021	2022	2023
Nationalisation among total workforce	%	UAE	42%	44%	44%
Total number of national employees	Number	UAE	1,505	1,614	1,680

Investor Relations

Investor Relations provide accurate, complete, transparent and clear information to the market in a timely manner, on both favorable and adverse events, promote effective dialogue with the market and investment community, and aims to respond willingly, in good faith, to questions from investors, analysts, rating agencies and other stakeholders in compliance with relevant capital market regulations.

Further information is available on the Investor Relations section of FAB's corporate website and Investor Relations app (FAB Investor Relations).

FAB share information

Listing date	**2000**[1]	**Closing price as of 31 December 2023**	**AED 13.96**
Exchange	**Abu Dhabi Securities Exchange (ADX)**	**Market cap as of 31 December 2023**	**AED 154 billion (USD 42 billion)**
Symbol	**FAB**	**Foreign ownership limit**	**40%**
ISIN	**AEN000101016**	**Free float**	**43%**
Number of shares issued	**11,047,612,688**		

Statement of the Group's share price in the market (closing price, highest price and lowest price) at the end of each month during the fiscal year

Month	Close	High*	Low*
January 2023	13.60	17.32	13.34
February 2023	14.08	14.48	13.68
March 2023	12.88	14.78	12.80
April 2023	14.18	14.22	12.92
May 2023	12.70	14.24	12.66
June 2023	13.64	13.82	12.56
July 2023	14.64	14.70	13.36
August 2023	13.68	14.66	13.60
September 2023	13.60	13.80	13.04
October 2023	12.68	13.88	12.44
November 2023	13.72	13.72	12.60
December 2023	13.96	13.96	13.04

* High/Low for the month on Closing price basis

[1] This is referring to the listing date of NBAD shares on ADX

Statement of the Group's comparative performance with the general market index and sector index to which the Group belonged during 2023

	Closing price (Dec 2023)	Closing price (Dec 2022)	% change in price in 2023	FAB's relative performance
FAB	**13.96**	17.10	-18.36%	
ADX	**9577.85**	10211.09	-6.20%	-12.16%
ADX Banks	**354.36**	328.88	7.75%	-26.11%
MSCI EM Banks	**1022.90**	957.45	6.84%	-25.20%

Statement of the shareholders' ownership distribution as at 31 December 2023 (individuals, companies, governments) classified by geography

Month	Individuals	Companies	Government	Total
Local	17.33%	63.30%	1.70%	**82.33%**
Arabs (incl. GCC)	0.90%	0.56%	0.01%	**1.47%**
Foreign	0.20%	16.01%	0.00%	**16.21%**
Total	**18.42%**	**79.88%**	**1.70%**	**100.00%**

The definition of Arab and Foreign investors as well as Investors classified as Companies and Government is as per ADX definition/classification

Statement of how shareholders are distributed by size of equity as at 31 December 2023

Share(s) ownership	Number of shareholders	Number of shares	Ownership Percentage
Less than 50,000	3,960	31,263,678	0.28%
From 50,000 to less than 500,000	1,057	182,187,482	1.65%
From 500,000 to less than 5,000,000	472	725,068,761	6.56%
More than 5,000,000	165	10,109,092,767	91.50%
Total	**5,654**	**11,047,612,688**	**100%**

2023 Financial Calendar

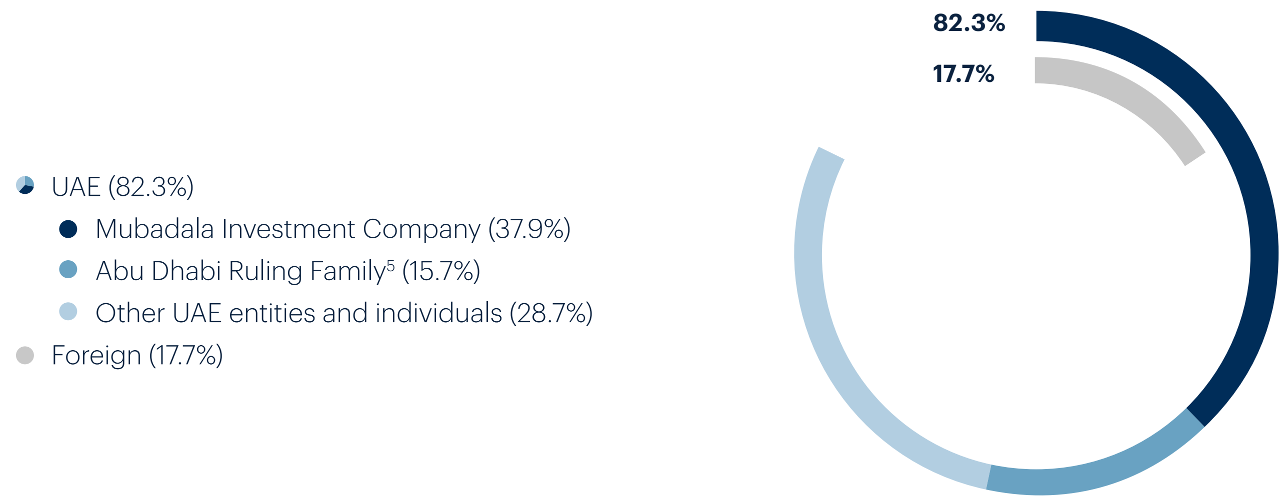
Date	Event
27 April 2023	Q1 23 Financial Results Announcement
24 July 2023	Q2/H1 23 Financial Results Announcement
19 October 2023	Q3/9M 23 Financial Results Announcement
1 February 2024	Q4/FY 23 Financial Results Announcement

Ownership Structure as of December-End 2023[2]

As of 31 December 2023, FAB's share capital stood at AED 11,047,612,688 divided into 11,047,612,688 shares of AED 1 each.

Major shareholders[3]

	Number of shares	Shares (%)
Mubadala Investment Company (MIC)[4]	**4,182,670,935**	**37.9%**



Investor Relations contacts

Name of the Investor Relations Officer
Sofia El Boury

How to communicate with Investor Relations
Email: ir@bankfab.com
Phone: +971-2-3054563

The link to the investor relations page on the Group's website.
https://www.bankfab.com/en-ae/about-fab/investor-relations

[2] Based on total outstanding shares (Total shares issued less treasury shares 6,506,417)
[3] Major shareholders defined as shareholders owning 5% or more of the issued capital (as per ADX)
[4] MIC holding through its wholly owned subsidiary One Hundred and Fifteenth Investment Company - Sole Proprietorship L.L.C., effective September 2021; MIC is one of the wholly owned strategic investment companies of the Emirate of Abu Dhabi
[5] Members of/companies owned by the Abu Dhabi Ruling Family. Each investor (natural or legal person) within this group, owns less than 5% of the Company's shares, and is free to buy or sell FAB shares

Annual General Meeting

FAB holds an AGM each year following the end of its financial year and publication of the full year financial results.

In 2023, the AGM was held on 28 February and could be attended by shareholders in person or virtually. Shareholders who were not able to attend in person voted by proxy. The meeting was also attended by the Bank's external auditor and a representative from SCA.

In 2023 the shareholders approved the following ordinary resolutions:

- 2023 balance sheet and profit and loss statement.
- The dividend distribution.
- Remuneration for the Board of Directors.
- Appointment of a new external auditor, PWC.
- Appointment of the Board of Directors for a term of three years including three new appointments.

In addition, the following special resolutions were passed:

- Amendments to the Articles of Association.
- Issuance of three classes of bonds or Islamic sukuk:

1. Issuance of any type of bonds or Islamic sukuk or other securities (in each case, non-convertible into shares), whether under a programme or on a stand-alone basis, or establish any new programmes or update existing programmes, or enter into any liability management exercise, in the case of any new issuances for an amount not exceeding USD 10 billion (or its equivalent in any other currency).
2. Issuance of additional tier 1 bonds or Islamic sukuk for regulatory capital purposes, in the case of any new issuances for an amount not exceeding USD 1 billion (or its equivalent in any other currency), and authorise the Board of Directors to determine the terms of issuing such bonds or Islamic sukuk.
3. Issuance of tier 2 bonds or Islamic sukuk for regulatory capital purposes, in the case of any new issuances for an amount not exceeding USD 1 billion (or its equivalent in any other currency), whether under a programme or on a stand-alone basis, and authorise the Board of Directors to determine the terms of issuing such bonds or Islamic sukuk.

This 2023 FAB Corporate Governance Report has been approved by the Group Chief Risk Officer, Group Chief Financial Officer, Acting Group Chief Compliance Officer and Group Chief Audit Officer.

Pradeep Rana
Group Chief Risk Officer

Lars Kramer
Group Chief Financial Officer

Nizar Qaiser Luqman
Acting Group Chief Compliance Officer

Nurendra Perera
Group Chief Audit Officer

Shari'ah Governance

FAB is supervised from a Shari'ah perspective by an Internal Shari'ah Supervision Committee (ISSC). The appointment of the ISSC members is endorsed by FAB's Board of Directors and approved by the Higher Shari'ah Authority (HSA) of the CBUAE and by the shareholders at the AGM of the bank.

FAB's ISSC consists of qualified Shari'ah scholars who are responsible to review and ensure that Islamic banking products, services and operations are in compliance with Shari'ah principles. The ISSC supervises the Islamic banking business of the FAB Group, including its international branches and subsidiaries.

The Bank's Islamic Banking business is governed from a Shari'ah compliance perspective by a Shari'ah Governance Framework. Shari'ah Governance Standards for Islamic Financial Institutions were issued by the CBUAE in 2020 (the Shari'ah Governance Standards). In 2023, FAB revised and updated the Shari'ah Governance Framework for the FAB Group in accordance with the requirements set out in the Shari'ah Governance Standards. The FAB Group Shari'ah Governance Framework outlines the reporting framework, accountability, responsibilities of all relevant stakeholders involved and also depicts a clear segregation between the three lines of defence of Shari'ah compliance in all activities relating to the Islamic banking business.

The Bank has also been continuously working on the implementation of the requirements under the Standard Re. Regulatory Requirements for Financial Institutions Housing an Islamic Window issued by CBUAE on 26 October 2020 (the Islamic Window Standard). The Islamic Window Standard sets out guidelines to establish a framework and structure which ensures that the Internal Shari'ah Control Department and ISSC are independent and are not subject to any influence that may affect their independence. Under this regulation, all Shari'ah compliant activities and business of the bank must be offered through the FAB Group Islamic Window.

Pursuant to the Islamic Window Standards, the Bank has an Islamic Window framework for the FAB Group setting out prudent regulatory guidelines and requirements. The Head of Islamic Window has been appointed by the bank to lead the Islamic banking activities of the Bank in accordance with the Islamic Banking Window Standards.

In 2023, the ISSC held eight meetings with 100% attendance and issued various Shari'ah guidelines, approvals and resolutions covering various business groups and product segments across the Bank and its subsidiaries.

The Bank successfully appointed two UAE national trainee members to the ISSC (the ISSC Trainees), Mr Mohamed Eid Khamis Thani AlMheiri and Mr Tariq Saeed Bujasaim in accordance with HSA Resolution no 68/4/2022 re 'Trainee Members of the ISSC' as a replacement of 1 full UAE national as the fifth ISSC member. As per the resolution, the ISSC Trainees have started to participate in ISSC's meetings and training programs arranged by the Bank in order to ensure they have adequate knowledge, skills and experience in the relevant subject matters.

The ISSC has submitted the Annual Report of the Internal Shari'ah Supervision Committee of First Abu Dhabi Bank PJSC regarding Shari'ah-compliant businesses and operations of the FAB Group for FY2023 to the HSA for its review and approval.

Current Internal Shari'ah Supervision Committee (ISSC) Members:

Dr. Mohd Daud Bakar
Chairman

Elected at the AGM on 24 February 2020. Re-elected on 28 February 2021

Career
Dr. Mohd Daud is the founder of Amanie Advisors, a global boutique Shari'ah advisory firm with offices located in Kuala Lumpur, Dubai and other international locations. Prior to this, he was the Deputy Vice Chancellor at the International Islamic University Malaysia. Dr. Mohd Daud received the Islamic Economy Award at the Global Islamic Economy Summit 2015 from His Highness Sheikh Mohammed bin Rashid Al Maktoum on behalf of Amanie Advisors.

External appointments:

> Member of Shari'ah Board of Dow Jones Islamic Market Index (New York)

> Member of Shari'ah Board of Oasis Asset Management (Cape Town, South Africa)

> Member of Shari'ah Board of Financial Guidance (USA)

> Member of Shari'ah Board of BNP Paribas (Bahrain)

> Member of Shari'ah Board of Morgan Stanley (Dubai)

> Chairman of Internal Shari'ah Supervision Committee of Salama Takaful (Dubai)

> Member of Shari'ah Board of Credit Agricole (Dubai)

> Member of Internal Shari'ah Supervision Committee of ADCB (Abu Dhabi)

Education
Dr. Daud holds a degree in Shari'ah from the University of Kuwait, a Ph.D. from the University of St. Andrews and a Bachelor's degree of Jurisprudence from the University of Malaya.

Dr. Salim Al Ali

Elected at the AGM on 24 February 2020. Re-elected on 28 February 2021

Career
Dr. Salim Al-Ali is currently an Assistant Professor in Shari'ah and Islamic Studies at the UAE University. Dr. Salim Al Ali is a specialist in Islamic financial law, and legal and regulatory aspects of Islamic financial markets. He has participated in national and international conferences to address Shari'ah, legal and regulatory issues related to the Islamic banks, Islamic capital markets and Takaful. He has diverse experience in consulting, teaching and academic research in Islamic finance in different jurisdictions including Malaysia, the UAE and the UK.

External appointments:

> Member of Shari'ah Board at Abu Dhabi Commercial Bank (ADCB)

> Member of Shari'ah Board at Al Hilal Bank

> Member of Shari'ah Board at Emirates NBD

> Member of Shari'ah Board at HSBC

> Member of Shari'ah Board at SCB

> Member of Internal Shari'ah Supervision Committee at Banque Saudi Fransi, KSA

Education
Dr. Salim Al-Ali holds a Ph.D. in Financial Law from the University of London and a Master's degree in Islamic Banking and Finance from the International Islamic University of Malaysia.

Dr. Mohamad Akram Laldin

Elected at the AGM on 28 February 2021

Career
Dr. Mohamad Akram Laldin is currently the Executive Director of the International Shari'ah Research Academy for Islamic Finance (ISRA). Prior to that, he was an Assistant Professor at the International Islamic University, Malaysia (IIUM). He was a Visiting Assistant Professor at the University of Sharjah, Sharjah, United Arab Emirates.

External appointments:

> Chairman of Shari'ah Supervisory Council of Labuan Financial Services Authority

> Member of Shari'ah Advisory Council (SAC) of Central Bank of Malaysia

> Member of Shari'ah Advisory Employees Provident Fund (EPF)

> Member of Shari'ah Advisory Council International Islamic Financial Market (IIFM), Bahrain

> Member of AAOIFI Public Interest Monitoring Consultative Committee

> Member of Internal Shari'ah Supervision Committee of Dubai Islamic Bank

> Member of Internal Shari'ah Supervision Committee of RAK Bank

> Member of Shari'ah Supervisory Board of Meethaq, Bank Muscat.

Education
Dr. Mohamad Akram Laldin holds a B.A. Honours degree in Islamic Jurisprudence and Legislation from the University of Jordan, Amman, Jordan and a Ph.D. in Principles of Islamic Jurisprudence (Usul al-Fiqh) from the University of Edinburgh, Scotland, United Kingdom.

Dr. Ahmed Rufai

Elected at the AGM on 28 February 2021

Career
Dr. Ahmed Rufai is currently the Head of Shari'ah Compliance at the International Islamic Financial Market (IIFM), Bahrain. IIFM is a global standard-setting body for the Islamic financial services industry focusing on standardisation of Shari'ah- compliant financial contracts and product templates. He has contributed significantly to the development and publication of 13 comprehensive documents and product confirmation standards as well as related guidance notes across Liquidity Management, Hedging, Sukuk and Trade Finance. He also contributed notably in preparing discussion papers for IIFM consultative meetings, as well as in the compilation of the IIFM Annual Sukuk Reports. In addition, he plays an active role in seminars, workshops and consultative meetings organised by IIFM in many jurisdictions worldwide.

External appointments:

> Member of Shari'ah Supervisory Board of Meethaq, Bank Muscat.

Education
Dr. Ahmed Rufai holds a Ph.D. in Islamic Law of Transaction from the University of Malaya, Malaysia and a Bachelor's degree in Shari'ah (i.e., the Islamic Law) from the Islamic University of Madinah, Kingdom of Saudi Arabia.

ISSC Trainee Members

Mr. Mohamed Eid Khamis Thani AlMheiri

Appointed by the Board Management Committee effective 1 July 2023 following approval by the HSA.

Career
Mr. Mohamed Eid Khamis Thani AlMheiri is a UAE national scholar who specialises in Shari'ah and Islamic jurisprudence. He is currently working as an Islamic preacher in the Department of Islamic Affairs and Charitable Activities of Dubai. He participates in various Islamic educational courses and lectures within the UAE. Mr. Mohamed AlMheiri is also a practitioner in the field of Islamic family counselling where he conducts and facilitates many Islamic courses concerning family affairs through telephonic conversations and personal interviews. Mr. Mohamed AlMheiri is also entrusted to deliver religious sermons and lectures on different Islamic studies such as Quranic interpretation (Tafsir), Islamic jurisprudence and its origins (Fiqh and Usul Fiqh) and Hadith in across different Islamic centres.

Education
> Bachelor's Degree in Business Administration - Financial Services, Higher Colleges of Technology, Abu Dhabi

> Bachelor's Degree in Shari'ah, Islamic University, Madinah

Mr. Tariq Saeed Bujasaim

Appointed by the Board Management Committee effective 1 July 2023 following approval by the HSA.

Career
Mr. Tariq Saeed Bujasaim is a UAE national Islamic scholar who works in the Department of Islamic Affairs and Charitable Activities and provides general fatwas to the public concerning different subject of Islamic affairs. He is a Certified Shari'ah advisor and auditor by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

He worked as an Assistant Director in IT Department of Dubai Islamic Bank in September 1999 before joining Department of Islamic Affairs and Charitable Activities under the Ministry of Islamic Affairs.

Education
> Bachelor's Degrees in Islamic Studies from College of Arabic and Islamic Studies Dubai, UAE

> Bachelor's Degree in Computer Science from Stanford University California, USA.

Annual Report of the Internal Shari'ah Supervision Committee of First Abu Dhabi Bank PJSC

Pursuant to requirements stipulated in the relevant laws, regulations and standards (the Regulatory Requirements), the Internal Shari'ah Supervision Committee of the Institution (ISSC) presents to you the ISSC's Annual Report regarding Shari'ah compliant businesses and operations of the Institution for the financial year ending on 31 December 2023 (Financial Year).

Responsibility of the ISSC

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

- Undertake Shari'ah 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 Shari'ah resolutions in this regard; and
- Determine Shari'ah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority (HSA) to ascertain compliance of the Institution with the rules and principles of Islamic Shari'ah.

The senior management is responsible for compliance of the Institution with the rule and principles of Islamic Shari'ah 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 Shari'ah) in all Institution's Activities, and the Board bears the ultimate responsibility in this regard.

Shari'ah standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 1 September 2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

Duties fulfilled by the ISSC during the financial year

The ISSC conducted Shari'ah supervision of the Institution's Activities by reviewing those activities and monitoring them through the internal Shari'ah control and the internal Shari'ah 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:

- Convening eight meetings during the year.
- Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities. 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.
- 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.
- 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.
- Supervision through the internal Shari'ah control and the internal Shari'ah 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.
- Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah control and the internal Shari'ah 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.
- Approving corrective and preventative measures related to identified incidents to preclude their reoccurrence in the future.
- Specifying the amount of Zakat due on each share of the Institution.
- Communicating with the Board and its sub-committees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah.

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 the rule and principles of Islamic Shari'ah.

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 Shari'ah requirements..

The ISSC's opinion on the Shari'ah compliance status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are compliant with the rules and principles of Islamic Shari'ah, 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.

The above Annual Report of Internal Shari'ah Supervision Committee of First Abu Dhabi Bank PJSC has been approved by the HSA.

“FAB delivered record results in 2023 consolidating a three-year journey of disciplined acceleration in business momentum with remarkable growth and profitability as the regional banking powerhouse.”

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Independent auditors' report

To the shareholders of First Abu Dhabi Bank P.J.S.C.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of First Abu Dhabi Bank P.J.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

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Independent auditors' report (continued)

To the shareholders of First Abu Dhabi Bank P.J.S.C.

Our audit approach

Overview

Key Audit Matters	Measurement of Expected Credit Losses

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

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

Key audit matters

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

Independent auditors' report (continued)

To the shareholders of First Abu Dhabi Bank P.J.S.C.

Our audit approach (continued)

Key Audit Matters	How our audit addressed the key audit matter
Measurement of Expected Credit Losses ("ECL")	

The ECL charge for the year ended 31 December 2023 amounted to AED 3,078 million (net of recoveries) and the allowance for ECL as at that date amounted to AED 15,279 million.
 	
The Directors recognise provision for expected credit losses (ECL) in its consolidated financial statements on all of its financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, financial guarantee contracts and loan commitments.
 	
The Directors exercise significant judgments and make a number of assumptions in developing its ECL models which is determined as a function of the assessment of the Probability of Default ("PD") separately for retail and non-retail portfolios, determination of Loss Given Default ("LGD"), adjusted for the forward-looking information and Exposure At Default ("EAD") associated with the underlying funded and unfunded exposures subject to ECL.
 	
In case of defaulted exposures, the Directors exercise judgment to evaluate and estimate the expected future cash flows for each exposure. This assessment guides decisions on whether to reschedule or restructure the exposure. This evaluation also takes into consideration the value of collateral securing these exposures.
 	
ECL overrides including staging overrides and overlays / underlays may also be recorded by the Directors using credit risk judgments where the assumptions and modelling techniques do not capture all the relevant risk factors.
 	
The Group's impairment policy under IFRS 9 is presented in Note 6a(vii) to the consolidated financial statements.
	We performed the following audit procedures on the computation of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2023:
	
	• We obtained an understanding of the design and tested the operating effectiveness of the relevant controls established by the Group, including IT general controls and application controls, for the estimation of ECL, calculation of days past due, application of the staging criteria and the process of overriding ECL modelling output.
	• We involved our internal experts to assess the following aras:
	  • Evaluation of the appropriateness of the accounting policies adopted by the Group based on the requirements of IFRS 9;
	  • Reasonableness and appropriateness of the methodology and assumptions used in calculation of various components of ECL modelling including the computation of Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) for the models selected for testing.
	  • Reasonableness of the key assumptions and judgements made by Directors in assessing the definition of default, the application of Significant Increase in Credit Risk (SICR) and staging criteria, determining the historic and forward-looking information of macroeconomic data in estimating the ECL components and use of probability weighted scenarios.
	  • For a sample of customers, recalculation of PD, LGD and EAD and test of mathematical accuracy and appropriateness of discounting used in the ECL calculation.
	• We tested the completeness and the accuracy of the data used in the calculation of ECL.
	• We assessed the modification of loans accounting treatment for a sample of parties that have undergone rescheduling or restructuring.
	• We performed an independent credit assessment for a sample of non-retail customers, including Stage 3 customers, by assessing the quantitative and qualitative factors including assessment of financial performance of the customer, source of repayments and its history, future cash flows of the borrower and other relevant risk factors.

Independent auditors' report (continued)

To the shareholders of First Abu Dhabi Bank P.J.S.C.

Our audit approach (continued)

Key Audit Matters	How our audit addressed the key audit matter
Measurement of Expected Credit Losses ("ECL")	
We considered this as a key audit matter considering the exercise of significant judgement, estimates including use of forward-looking macroeconomic data and complex models, and as it has a material impact on the consolidated financial statements of the Group.	• We assessed the reasonableness of assumptions underlying the ECL provision for major product categories in the retail portfolio. • For a sample of exposures, we evaluated the reasonableness of Directors overrides including ECL overlays / underlays and staging overrides during the process of ECL computation. • We assessed the adequacy of the disclosures made in the Group's consolidated financial statements around ECL as required by IFRS Accounting Standards.

Other information

The Directors are responsible for the other information. The other information comprises the Management Discussion and Analysis Report but does not include these consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Sustainability Report, Corporate Governance Report and the Board of Directors' Report which are expected to be made available to us after that date.

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

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

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

When we read the Sustainability Report, Corporate Governance Report and the Board of Directors Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent auditors' report (continued)

To the shareholders of First Abu Dhabi Bank P.J.S.C.

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

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, Article (114) of the Decretal Federal Law No. (14) of 2018, as amended and the applicable provisions of Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities, as amended, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities 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 auditors' report (continued)

To the shareholders of First Abu Dhabi Bank P.J.S.C.

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

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of material accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained 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.

Independent auditors' report (continued)

To the shareholders of First Abu Dhabi Bank P.J.S.C.

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

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

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

Report on other legal and regulatory requirements

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

(i) we have obtained all the information we considered necessary for the purpose of our audit;
(ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 32 of 2021;
(iii) the Group has maintained proper books of account;
(iv) the financial information included in the Management Discussions & Analysis Report is consistent with the books of account of the Group;
(v) note 9 and note 13 to the consolidated financial statements discloses the shares purchased by the Group during the year,
(vi) note 47 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
(vii) note 38 to the consolidated financial statements discloses the social contributions made during the year; and
(viii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. 32 of 2021, or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Independent auditors' report (continued)

To the shareholders of First Abu Dhabi Bank P.J.S.C.

Report on other legal and regulatory requirements (continued)

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

Further, as required by the ADAA Chairman's Resolution no 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2023, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2023:

(i) Law No. (1) of 2017 concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities, as amended;
(i) its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and
(ii) applicable provisions of the relevant laws, resolutions and circulars that have an impact on the Subject Entity's consolidated financial statements.

PricewaterhouseCoopers Limited Partnership – Abu Dhabi
31 January 2024

Rami Serhan
Registered Auditor Number: 1152
Place: Abu Dhabi, United Arab Emirates

Consolidated statement of financial position

As at 31 December 2023

	Note	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Assets			
Cash and balances with central banks	8	233,390,285	228,368,829
Investments at fair value through profit or loss	9	45,208,793	31,816,797
Due from banks and financial institutions	10	25,266,370	24,886,956
Reverse repurchase agreements	11	78,503,863	69,106,092
Derivative financial instruments	44	46,420,686	58,873,843
Loans, advances and Islamic financing	12	483,953,520	459,593,327
Non trading investment securities	13,52	179,643,274	172,349,818
Other assets	14	41,332,686	30,205,655
Investment in associates	15,52	1,500,904	1,559,303
Investment properties	16	8,161,737	7,168,089
Property and equipment	17	5,114,876	5,795,207
Intangibles	18	20,135,567	20,332,179
Total assets		**1,168,632,561**	**1,110,056,095**
Liabilities			
Due to banks and financial institutions	19	71,527,631	61,560,340
Repurchase agreements	20	26,096,108	39,004,515
Commercial paper	21	19,658,769	31,738,356
Derivative financial instruments	44	51,002,064	62,024,540
Customer accounts and other deposits	22	759,862,632	700,573,371
Other liabilities	23	46,931,908	37,048,977
Term borrowings	24	63,938,927	62,635,133
Subordinated notes	25	4,191,417	420,620
Total liabilities		**1,043,209,456**	**995,005,852**
Equity			
Share capital	26	11,047,612	11,047,612
Share premium		53,557,581	53,557,581
Treasury shares		(6,505)	(6,505)
Statutory and special reserves		13,084,313	13,084,313
Other reserves	26	208,702	(835,463)
Tier 1 capital notes	27	10,754,750	10,754,750
Share based payment	28	249,816	249,816
Retained earnings		36,416,564	27,185,679
Total equity attributable to shareholders of the Bank		**125,312,833**	**115,037,783**
Non-controlling interest		110,272	12,460
Total equity		**125,423,105**	**115,050,243**
Total liabilities and equity		**1,168,632,561**	**1,110,056,095**

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 31 January 2024 and signed on its behalf:

Chairman | **Group Chief Executive Officer** | **Group Chief Financial Officer**

The accompanying notes forms an integral part of these consolidated financial statements.

The independent auditors' report on audit of consolidated financial statements is set out on pages 118 to 125.

Consolidated statement of profit and loss

For the year ended 31 December 2023

	Note	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Interest income	29,52	59,712,319	28,140,801
Interest expense	30,52	(43,204,331)	(15,169,960)
Net interest income		**16,507,988**	**12,970,841**
Income from Islamic financing and investing products	31	2,910,397	1,963,434
Distribution on Islamic deposits	32,52	(1,316,812)	(717,047)
Net income from Islamic financing and investing products		**1,593,585**	**1,246,387**
Total net interest income and income from Islamic financing and investing products		**18,101,573**	**14,217,228**
Fee and commission income	33	4,282,884	3,975,869
Fee and commission expense	33	(1,275,333)	(1,195,322)
Net fee and commission income		**3,007,551**	**2,780,547**
Net foreign exchange gain	34	2,596,955	1,776,676
Net gain on investments and derivatives	35,52	3,742,176	2,317,854
Other operating income / (loss)	36	23,151	(252,089)
Operating income		**27,471,406**	**20,840,216**
Gain on disposal of stake in subsidiary and fair value gain on retained interest	37	283,775	3,093,703
Total income including gain on disposal of stake in subsidiary and fair value gain on retained interest		**27,755,181**	**23,933,919**
General, administration and other operating expenses	38	(7,125,289)	(6,704,829)
Profit before net impairment charge and taxation		**20,629,892**	**17,229,090**
Net impairment charge	39	(3,077,906)	(2,839,358)
Profit before taxation		**17,551,986**	**14,389,732**
Income tax expense	40	(1,041,742)	(967,621)
Profit for the year		**16,510,244**	**13,422,111**
Profit attributable to:			
Shareholders of the Bank		16,405,493	13,411,198
Non-controlling interest		104,751	10,913
Basic and diluted earnings per share (AED)	46	**1.43**	**1.18**

The accompanying notes forms an integral part of these consolidated financial statements.

The independent auditor's report on audit of the consolidated financial statements is set out on page 118 to 125.

Consolidated statement of other comprehensive income

For the year ended 31 December 2023

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Profit for the year	**16,510,244**	**13,422,111**
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	(748,102)	(1,647,757)
Net change in fair value reserve during the year (including ECL)	1,391,973	(3,625,620)
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income net change in fair value	(327,424)	(7,500)
Re-measurement of defined benefit obligations	(9,811)	34,737
Board of Directors' remuneration	(45,150)	(48,000)
Other adjustments	3,000	5,750
Other comprehensive income /(loss) for the year	**264,486**	**(5,288,390)**
Total comprehensive income for the year	**16,774,730**	**8,133,721**
Comprehensive income attributable to:		
Shareholders of the Bank	16,669,249	8,129,893
Non-controlling interest	105,481	3,828
Total comprehensive income for the period	**16,774,730**	**8,133,721**

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor's report on audit of the consolidated financial statements is set out on page 118 to 125.

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital AED'000	Share premium AED'000	Treasury shares AED'000	Statutory and special reserves AED'000	Other reserves AED'000	Tier 1 capital notes AED'000	Share based payment AED'000	Retained earnings AED'000	Equity attributable to shareholders of the Bank AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 1 January 2023	**11,047,612**	**53,557,581**	**(6,505)**	**13,084,313**	**(835,463)**	**10,754,750**	**249,816**	**27,185,679**	**115,037,783**	**12,460**	**115,050,243**
Profit for the year	-	-	-	-	-	-	-	16,405,493	16,405,493	104,751	16,510,244
Other comprehensive income/(loss) for the year	-	-	-	-	315,717	-	-	(51,961)	263,756	730	264,486
Transactions with owners of the Bank											
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(5,741,375)	(5,741,375)	(7,669)	(5,749,044)
Payment on Tier 1 capital notes (note 27)	-	-	-	-	-	-	-	(652,824)	(652,824)	-	(652,824)
IFRS 9 reserve movement (note 26)	-	-	-	-	708,087	-	-	(708,087)	-	-	-
Realised loss on sale of FVOCI investment	-	-	-	-	20,361	-	-	(20,361)	-	-	-
Balance at 31 December 2023	**11,047,612**	**53,557,581**	**(6,505)**	**13,084,313**	**208,702**	**10,754,750**	**249,816**	**36,416,564**	**125,312,833**	**110,272**	**125,423,105**
Balance at 1 January 2022	10,920,000	53,557,581	(6,430)	10,920,000	3,569,185	10,754,750	249,816	22,667,101	112,632,003	15,428	112,647,431
Profit for the year	-	-	-	-	-	-	-	13,411,198	13,411,198	10,913	13,422,111
Other comprehensive loss for the year	-	-	-	-	(5,264,612)	-	-	(16,693)	(5,281,305)	(7,085)	(5,288,390)
Transactions with owners of the Bank											
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	(5,347,648)	(5,347,648)	(6,796)	(5,354,444)
Scrip dividend for the year (note 26)	127,612	-	(75)	2,164,313	-	-	-	(2,291,850)	-	-	-
Payment on Tier 1 capital notes (note 27)	-	-	-	-	-	-	-	(376,465)	(376,465)	-	(376,465)
IFRS 9 reserve movement (note 26)	-	-	-	-	872,498	-	-	(872,498)	-	-	-
Realised gain on sale of FVOCI investment	-	-	-	-	(12,534)	-	-	12,534	-	-	-
Balance at 31 December 2022	**11,047,612**	**53,557,581**	**(6,505)**	**13,084,313**	**(835,463)**	**10,754,750**	**249,816**	**27,185,679**	**115,037,783**	**12,460**	**115,050,243**

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor's report on audit of the consolidated financial statements is set out on page 118 to 125.

Consolidated statement of cash flows

For the year ended 31 December 2023

	Note	31-Dec-23 AED'000	31-Dec-22 AED'000
Cash flows from operating activities			
Profit before taxation		17,551,986	14,389,732
Adjustments for:			
Depreciation and amortization	38	980,296	1,062,293
(Gain)/loss on revaluation of investment properties	16	(1,405)	327,314
Gain on sale of investment property		(148,160)	-
Gain on sale of fixed assets		(502)	(4,335)
Gain on disposal of stake in subsidiary and fair value gain on retained interest	37	(283,775)	(3,093,703)
Net impairment charge	39	3,584,560	3,118,645
Accreted interest		531,843	547,915
		22,214,843	**16,347,861**
Changes in:			
Investments at fair value through profit or loss		(13,510,745)	13,809,297
Due from central banks, banks and financial institutions		1,026,819	2,796,164
Reverse repurchase agreements		(9,462,829)	(22,840,045)
Loans, advances and Islamic financing		(27,808,242)	(52,568,833)
Other assets		(10,023,041)	(9,994,816)
Due to banks and financial institutions		9,967,291	4,575,160
Repurchase agreements		(12,908,407)	(16,069,979)
Customer accounts and other deposits		59,289,261	86,197,999
Derivative financial instruments		2,492,490	(6,901,390)
Other liabilities		9,957,950	14,486,647
		31,235,390	**29,838,065**
Income tax paid, net of recoveries	23	(1,058,282)	(869,415)
Directors' remuneration paid		(45,000)	(45,000)
Net cash from operating activities[1]		**30,132,108**	**28,923,650**
Cash flows from investing activities			
Net purchase of non trading investments securities		(6,702,264)	(29,962,853)
Net movement in investment properties		(1,041,483)	(532,827)
Proceeds from sale of subsidiary		334,960	-
Purchase of property and equipment, net of disposals		(1,070,754)	(558,993)
Net cash used in investing activities		**(8,479,541)**	**(31,054,673)**
Cash flows from financing activities			
Dividend paid to shareholders of the Bank	26	(5,720,357)	(5,327,691)
Dividend paid to minority shareholders		(7,669)	(6,796)
Net movement of commercial paper		(12,079,587)	(7,925,896)
Issue of term borrowings	24	8,139,830	10,625,674
Repayment of term borrowings	24	(8,396,933)	(13,431,531)
Issuance of subordinated notes		3,673,000	-
Payment on Tier 1 capital notes	27	(652,824)	(376,465)
Net cash used in financing activities		**(15,044,540)**	**(16,442,705)**
Net increase / (decrease) in cash and cash equivalents		**6,608,027**	**(18,573,728)**
Foreign currency translation adjustment		(206,464)	(3,444,371)
Cash and cash equivalents at 1 January		**250,796,021**	**272,814,120**
Cash and cash equivalents at 31 December	41	**257,197,584**	**250,796,021**

[1]Refer note 52 – Comparative figures

The accompanying notes forms an integral part of these consolidated financial statements.
The independent auditor's report on audit of the consolidated financial statements is set out on page 118 to 125.

Notes to the consolidated financial statements

For the year ended 31 December 2023

1 Legal status and principal activities

First Abu Dhabi Bank PJSC (the "Bank") is a public joint stock company with limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE) under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended). The registered address of the Bank is P. O. Box 6316, FAB Building, Khalifa Business Park, Al Qurum, Abu Dhabi, United Arab Emirates.

These consolidated financial statements as at and for the year ended 31 December 2023, comprise the Bank and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in corporate, consumer, private and investment banking activities, payment services, management services, Islamic banking activities, real estate activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in the United Arab Emirates, Bahrain, Brazil, Cayman Islands, China, Egypt, France, Hong Kong, India, Indonesia, Iraq, Jordan[1], Kingdom of Saudi Arabia, Kuwait, Lebanon[1], Libya, Malaysia, Oman, Qatar[2], Singapore, South Korea, Switzerland, the United Kingdom and the United States of America.

The Group's Islamic banking activities are conducted in accordance with Islamic Sharia'a rules and principles as interpreted by the Internal Shariah Supervision Committee ("ISSC") in accordance with the resolutions issued by the Higher Shariah Authority ("HSA").

The Group is listed on the Abu Dhabi Securities Exchange (Ticker: FAB). The consolidated financial statements of the Group as at and for the year ended 31 December 2023 are available upon request from the Group's registered office or at website (http://www.bankfab.com).

[1] Under closure.
[2]The Bank has notified the Qatar Financial Centre Regulatory Authority ("QFCRA") that it will relinquish its Qatar Financial Centre ("QFC") branch license and permanently close its QFC branch.

2 Basis of preparation

a) Basis of measurement

These consolidated financial statements are prepared under the historical cost basis except for the following material items, which are measured on the following basis:

Items	Measurement basis
Investments at fair value through profit or loss	Fair value
Derivative financial instruments	Fair value
Debt and equity instruments designated at fair value through other comprehensive income	Fair value
Investment properties	Fair value
Recognised assets and liabilities designated as hedged items in qualifying hedge relationships	Adjusted for changes in fair value attributable to the risk being hedged
Non-financial assets acquired in settlement of Loans, advances and Islamic financing	Lower of their fair value less costs to sell and the carrying amount of the loans, advances and Islamic financing

(b) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Items included in the financial statements of each of the Bank's overseas subsidiaries and branches are measured using the currency of the primary economic environment in which they operate.

Notes to the consolidated financial statements

For the year ended 31 December 2023

2 Basis of preparation (continued)

(c) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectation of future events that may have a financial impact on the Group and considered to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements are described in note 7.

3 Statement of Compliance

These consolidated financial statements have been prepared on a going concern basis, as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future, in accordance with International Financial Reporting Standards Accounting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and comply with the requirements of applicable laws in the UAE. IFRSs comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015 (as amended). The Bank is in compliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and the applicable provisions of Law No. (1) of 2017 (as amended) concerning the financial system of the Government of Abu Dhabi and instructions issued by the Department of Finance as at the date of these consolidated financial statements.

These consolidated financial statements were authorised for issue by the Board of Directors on 31 January 2024.

4 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations adopted

The following amendments to existing standards and framework have been applied by the Group in preparation of these consolidated financial statements. The adoption of the below amended standards did not result in changes to previously reported net profit or equity of the Group.

Description	Effective from
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Amendment to IAS 12 - International tax reform	1 January 2023

(b) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2023

4 Changes in accounting policies and disclosures (continued)

(b) Standards issued but not yet effective (continued)

The following new standard and amendments to the standards are applicable to annual reporting periods beginning on or after 1 January 2024 and early application is permitted. The Group is currently evaluating the impact of the new standard and amendments to the standards and expects to adopt them on the effective date.

- Amendments to IFRS 16 – Lease liability in a sale and leaseback
- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendment to IAS 7 and IFRS 7 – Supplier finance arrangements
- Amendments to IAS 21 – Lack of Exchangeability
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- IFRS S1 – General requirements for disclosure of sustainability related financial information
- IFRS S2 – Climate related disclosures

5 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Acquisition-related costs are expensed as incurred and included in general, administration and other operating expenses, except if related to the issue of debt or equity securities.

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. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred or in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2023

5 Basis of consolidation (continued)

(i) Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(ii) Subsidiaries

IFRS 10 – "Consolidated financial statements" governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities. The definition of control is such that an investor controls an investee when it is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

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

Generally, it is presumed that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

(a) The purpose and design of the investee.
(b) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
(c) Potential voting rights held by the Group.
(d) The relevant facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time the decision needs to be made (including voting patterns at previous shareholders' meetings) and whether the Group can direct those activities.
(e) Contractual arrangements such as call rights, put rights and liquidation rights.
(f) Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

Subsidiaries are entities that are controlled by the Group. The Group controls the investee if it meets the control criteria set out above. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Bank and to the non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Notes to the consolidated financial statements

For the year ended 31 December 2023

5 Basis of consolidation (continued)

(ii) Subsidiaries (continued)

The consolidated financial statements comprise the financial statements of the Bank and those of its principal subsidiaries which are set out below:

Legal Name	Country of Incorporation	Principal activities	Holding % 2023	Holding % 2022
First Abu Dhabi Bank USA N.V.	Curacao	Banking	100%	100%
FAB Securities LLC	United Arab Emirates	Brokerage	100%	100%
Abu Dhabi National Leasing LLC	United Arab Emirates	Leasing	100%	100%
Abu Dhabi National Properties Pvt. JSC	United Arab Emirates	Property Management	100%	100%
FAB Private Bank (Suisse) SA	Switzerland	Banking	100%	100%
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	Islamic Finance	100%	100%
Abu Dhabi Securities Brokerage Egypt1	Egypt	Brokerage	96%	96%
NBAD Employee Share Options Limited	United Arab Emirates	Shares and Securities	100%	100%
National Bank of Abu Dhabi Representações Ltda	Brazil	Representative office	100%	100%
FAB Global Markets (Cayman) Limited	Cayman Islands	Financial Institution	100%	100%
Nawat Management Services - One Man Company LLC	United Arab Emirates	Services	100%	100%
Mismak Properties Co. LLC ("Mismak")	United Arab Emirates	Real estate investments	100%	100%
Moora Properties Co. LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments	67%	67%
Shangri La Dubai Hotel LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments	100%	100%
First Merchant International LLC ("FMI")	United Arab Emirates	Real estate investments	100%	100%
FAB Employment Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%	100%
FAB Resourcing Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%	100%
Horizon Gulf Electromechanical Services L.L.C. ("Horizon") (Subsidiary of FMI)	United Arab Emirates	Real estate related services	100%	100%
Horizon Gulf General Contracting LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services	100%	100%
PDCS Engineering LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services	100%	100%
Horizon Gulf Oil and Gas Services LLC (Subsidiary of Horizon)	United Arab Emirates	Real estate related services	100%	100%
FAB Sukuk Company Limited	Cayman Islands	Special purpose vehicle	100%	100%
First Gulf Libyan Bank2	Libya	Banking services	50%	50%
FAB Properties LLC3	United Arab Emirates	Management and brokerage of real estate properties	-	100%
First Gulf Information Technology LLC ("FGIT")	United Arab Emirates	IT Services	100%	100%
FAB Global Business Services Limited (Subsidiary of FGIT)	India	IT Services	100%	100%
FAB Capital Financial Company (A Saudi Closed Joint Stock Company)	Kingdom of Saudi Arabia	Financial Institution	100%	100%
First Abu Dhabi Bank Misr S.A.E ("FAB Misr")	Egypt	Banking	100%	100%

[1] Under liquidation.
[2] Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the board of directors.
[3] Note 37.

Notes to the consolidated financial statements

For the year ended 31 December 2023

5 Basis of consolidation (continued)

(iii) Structured entities

A structured entity is established by the Group to perform a specific business objective. Structured entities are designed so that their voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. In assessing whether the Group acts as a principal or has power over investees in which it has an interest, the Group considers factors such as the purpose and design of the investee, its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund including the investors right to remove the fund manager. Whilst assessing control, the Group reviews all facts and circumstances to determine whether as a fund manager the Group is acting as agent or principal. If deemed to be a principal, the Group controls the fund and would consolidate them else as an agent the Group would account for them as investments in funds.

The Group's interest in investment funds in which it acts as an agent is set out below, these funds are included as part of investments.

Type of Structured Entity	Nature and purpose	Interest held by the Group
Investment funds managing assets	Generate fees from managing assets on behalf of third-party investors	Investments in units issued by the fund amounting to 3,083 AED thousand (2022: AED 3,259 thousand)

(iv) Joint Arrangements and Investments in Associates

An associate is an investee over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Investment in associates is accounted under the equity method of accounting.

A joint arrangement is an arrangement between the Group and other parties where the Group along with one or more parties has joint control by virtue of a contractual agreement. Joint arrangement may be a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to and record their respective share of the assets, and obligations for the liabilities, relating to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the net assets of the arrangement and, thus, are accounted under the equity method of accounting.

Under the equity method, the investment in an associate is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment separately. The consolidated statement of income reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Notes to the consolidated financial statements

For the year ended 31 December 2023

5 Basis of consolidation (continued)

(iii) Structured entities (continued)

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the consolidated statement profit or loss.

The list of associates are as follows:

Legal Name	Country of incorporation	Principal activities	Holding % 2023
BCP Growth Holdings Limited	United Arab Emirates	Financial services	40%
Midmak Properties LLC	United Arab Emirates	Real estate Investments	16%
Emirates Digital Wallet LLC	United Arab Emirates	Financial services	23%

(v) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(vi) Transactions eliminated on consolidation

The carrying amount of the Group's investment in each subsidiary and the equity of each subsidiary are eliminated on consolidation. All significant intra-group balances, transactions and unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not assets of the Bank.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies

(a) Financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises loans, advances and Islamic financing, deposits, debt securities issued and subordinated liabilities on the date on which they are originated.

All other financial instruments (excluding 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. All regular way purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Classification

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. On initial recognition, a financial asset is classified as measured at: amortised cost or Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through profit or loss ("FVTPL").

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

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI").

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

- the financial 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 SPPI.

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 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 FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Classification (continued)

Business model assessment

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

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

The business model assessment is based on the reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

The Group's consumer and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the consumer business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Group in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Certain other debt securities are held by the Group in separate portfolios to meet everyday liquidity needs. The Group seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value.

The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(ii) Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI")
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial assets due to repayments of principal or amortisation of premium of discount. 'Interest' 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 lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, 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 arrangement); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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

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.

Financial liabilities are never reclassified.

(iii) Derecognition

Derecognition of financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (note 6 (a)(iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

Derecognition of financial assets (continued)
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 or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. 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 lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all 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.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

(iv) Modifications of financial assets and financial liabilities

Modification of financial assets
If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(iv)Modifications of financial assets and financial liabilities (continued)

Modification of financial assets (continued)
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 plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification doesn't result into cash flows that are substantially different, then a financial asset does not result in derecognition of the financial asset. In this case, the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees receivable as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Modification of financial liabilities
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 derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(iv)Modifications of financial assets and financial liabilities (continued)

Interest rate benchmark reform
In the context of IBOR reform, the Group's assessment of whether a change to a financial asset or liabilities is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. This requires the transition from an IBOR to an RFR ("Risk free rate") to be treated as a change to a floating interest rate as described in note 6(q). Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9, changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform are treated as changes to a floating interest rate to that instrument, provided that change is necessary as a direct consequence of the reform and the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis.

Where the instrument is measured at amortized cost, this results in a change in the instrument's effective interest rate, with no change in the amortized cost value of the instrument. If the change to the instrument does not meet these criteria, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognized and a new financial instrument is recognized. If the changes are not substantial, the Group continues to carry the financial instrument at its current carrying value with the difference adjusted in revised effective interest rate on prospective basis. Adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

(v) Offsetting
Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a enforceable legal right to set off the recognised amounts and intend either to settle on a net basis, or to realise he asset and settle the liability simultaneously.

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

(vi)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 between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date regardless of whether that price is directly observable or estimated using valuation technique. The Group applies judgement as described below to assess if there is quoted price available in an active market, which determines the level in the fair value hierarchy into which the fair value instrument is classified.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

The fair value of a liability reflects its non-performance risk. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. If there is no quoted price in an active market, then the Group uses the valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the consolidated statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group based on the net exposure to either market or credit risk, are measured based on a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement based on the net exposure – are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of investments in mutual funds, private equity funds or similar investment vehicles are based on the last net asset value published by the fund manager. For other investments, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving similar investments, are based on the expected discounted cash flows.

The fair value of a financial liability with a demand feature (demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment

The Group recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Balances with central banks;
- Due from banks and financial institutions;
- Reverse repurchase agreements;
- Non trading investment at fair value through other comprehensive income;
- Loans, advances and Islamic financing;
- Other financial assets;
- Undrawn commitment to extend credit; and
- Financial guarantees.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (note 51(a)).

The Group considers the above financial instruments to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk ("SICR") since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage. Similar to Stage 2, the allowance for credit loss captures the lifetime expected credit loss.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

Measurement of ECL

The key inputs into the measurement of ECL are:

- Probability of default ("PD");
- Exposure at default ("EAD"); and
- Loss given default ("LGD");

These parameters are generally derived from statistical models and other historical data. They are adjusted to reflect forward-looking information. Additionally, the Group has elaborate review process to adjust ECL for factors not available in the model.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

ECL are a probability-weighted estimate of credit loss. 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 loan 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.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

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 borrower, 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 that are discounted from the expected date of derecognition to the reporting date using the original effective interest 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 debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of Loans, advances and Islamic financing by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Purchased or Originally Credit Impaired ("POCI") financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

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

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision reported under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(a) Financial assets and liabilities (continued)

(vii) Impairment (continued)

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'net impairment charge' in the consolidated statement of profit or loss. Financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

Central Bank of UAE ("CBUAE") provision requirements

As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, clause 6.4, if the specific provision and general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an "Impairment Reserve" as an appropriation from the Retained earnings. This impairment reserve should be split to that which relates to difference in specific provision and general/collective provision. The Impairment reserve will not be available for payment of dividend.

(b) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise 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 its acquisition.

Cash and cash equivalents are non-derivative financial assets measured at amortised cost in the consolidated statement of financial position.

(c) Due from banks and financial institutions

These are non-derivative financial assets that are measured at amortised cost, less any allowance for impairment.

(d) Investments at fair value through profit or loss

These are securities that the Group acquire principally for the purpose of selling in the near term or holding as a part of portfolio that is managed together for short-term profit or position taking. These assets are initially recognised at fair value and subsequently also measured at fair value in the consolidated statement of financial position. All changes in fair values are recognised as part of profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(e) Reverse repurchase agreements

Assets purchased with a simultaneous commitment to resell at a fixed price on a specified future date are not recognised in the consolidated statement of financial position. The amount paid to the counterparty under these agreements is recorded as reverse repurchase agreements in the consolidated statement of financial position. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement and charged to the consolidated statement of profit or loss using the effective interest rate method.

(f) Loans, advances and Islamic financing

Loans, advances and Islamic financing' captions in the consolidated statement of financial position include:

- loans and advances 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 interest method;
- lease receivables;
- loans and advances measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised in profit or loss; and
- Islamic financing and investing contracts.

Loans, advances and Islamic financing are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

In determining whether an arrangement is a lease, the Group ascertains the substance of the arrangement and assesses whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the assets.

These are derecognised when either the borrower repays its obligations or the loan are sold or written-off.

Islamic financing and investing contracts

The Group engages in Sharia'a compliant Islamic banking activities through various Islamic contracts such as Ijara, Forward Ijara, Murabaha, Mudaraba and Wakala.

Definitions

Ijara/Forward Ijara

Ijara / Forward Ijara is a mode of Islamic financing whereby the Group (lessor) leases an asset acquired by the Group based on the customer's (lessee) request and promise to lease the assets for a specific period against certain rent instalments. At the end of the financing tenor and upon settlement of the financial obligation agreed between the lessor and the lessee, the ownership of the asset shall be transferred to the lessee via exercise of a purchase / sale undertaking. Also, the Group transfers substantially all the risks and rewards related to the ownership of the leased asset to the lessee.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(f) Loans, advances and Islamic financing (continued)

Murabaha
A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon cost price plus marked up profit (Deferred Sale Price). The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. The Deferred Sale Price of the Murabaha is quantifiable and fixed at the commencement of the transaction.

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

Wakala
An agreement between the Group and customer whereby one party (Muwakkil) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions and expected return in consideration of performance incentive and/or a certain fee based on the Wakala agreement. The agent is obliged to guarantee any losses arises due to its negligence or violation of any of the terms and conditions of the Wakala otherwise, losses are borne by the Muwakkil. The Group may be Wakil or Muwakkil depending on the nature of the transaction.

(g) Non trading investment securities
The 'non trading investment securities' caption in the consolidated statement of financial position includes:

- debt 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 interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt 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:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt 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 changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Fair value 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 recognised in OCI are transferred to retained earnings on disposal of an investment. These investments are held for long term strategic purposes.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(h) Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss under 'Other operating income / (loss)' in the year in which they arise.

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 profit or loss statement in the year of retirement or disposal.

(i) Property and equipment

(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Capital projects in progress are initially recorded at cost and regularly tested for impairment and upon completion are transferred to the appropriate category of property and equipment and thereafter depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within 'Other operating income/(loss)' in the consolidated statement of profit or loss.

(ii) Subsequent costs
Subsequent expenditures are only capitalised when it is probable that the future economic benefits of such expenditures will flow to the Group. On-going expenses are charged to consolidated statement of profit or loss as incurred.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(i) Property and equipment (continued)

(iii) Depreciation

Depreciation is calculated to reduce the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Freehold Land and Capital work in progress is not depreciated.

The estimated useful lives of assets for the current and comparative period are as follows:

Buildings and villas	20 to 50 years
Office furniture and equipment	5 to 10 years
Fit-out leased premises	3-10 years
Safes	10 years
Computer systems and equipment	3 to 7 years
Vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at every reporting date at each reporting date and adjusted if appropriate.

(iv) Capital work in progress

Capital work in progress assets are assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct cost attributable to design and construction of the property capitalised in accordance with Group's accounting policies. When the assets are ready for the intended use, the capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Group's policies.

(v) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or group of CGUs that are expected benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less cost to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(i) Property and equipment (continued)

(v) Impairment of non-financial assets (continued)

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of any other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(j) Intangible assets

Goodwill arises on the acquisition represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill and license acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill and license impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The Group's intangible assets other than goodwill include intangible assets arising out of business combinations. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(j) Intangible assets (continued)

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other intangible assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The estimated useful lives of the intangible assets for the calculation of amortisation are as follows:

Customer relationships	7.5 – 15 years
Core deposits	2.5 years – 15 years
Brand	20 years

(k) Collateral pending sale

Real estate and other collateral may be acquired as the result of settlement of certain loans, advances and Islamic financing and are recorded as assets held for sale and reported in "Other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loans, advances and Islamic financing (net of impairment allowance) at the date of exchange. No depreciation is provided in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the consolidated statement of profit or loss. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the consolidated statement of profit or loss. The Group's collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Group operates.

(l) Due to banks and financial institutions, customer accounts and other deposits and commercial paper

Due to banks and financial institutions, customer accounts and other deposits and commercial paper are financial liabilities and are initially recognised at their fair value minus the transaction costs and subsequently measured at their amortised cost using the effective interest rate method.

(m) Repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a fixed price on a specified future date are not derecognised. The liability to the counterparty for amounts received under these agreements is shown as repurchase agreements in the consolidated statement of financial position. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement and charged to the consolidated statement of profit or loss using the effective interest rate method.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(n) Term borrowings and subordinated notes

Term borrowings and subordinated notes include convertible notes that can be converted into share capital at the option of the holder, where the number of shares issued do not vary with changes in their fair value, are accounted for as compound financial instruments. The equity component of the convertible notes is calculated as the excess of issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

Term borrowing which are designated at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of the financial liability, the Group assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; and
- the impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Term borrowings and subordinated notes without conversion option and that are not at fair value through profit or loss are financial liabilities which are initially recognised at their fair value minus the transaction costs and subsequently measured at their amortised cost using the effective interest rate method and adjusted to the extent of fair value changes for the risks being hedged.

(o) Treasury shares

Own equity instruments which are acquired (treasury shares) are deducted from the equity and accounted for at weighted average cost. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancelation of the Bank's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. If treasury shares are distributed as part of a bonus share issue, the cost of the shares is charged against retained earnings. Voting rights relating to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

(p) Share based payment

On the grant date fair value of options granted to staff is estimated and the cost is recognised as staff cost, with a corresponding increase in equity, over the period required for the staff to become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of share options for which the related service conditions are expected to be met; as such the amount ultimately recognised as an expense is based on the number of share options that do meet the related service and non-market performance conditions at the vesting date. These shares may contribute to the calculation of dilutive EPS once they are deemed as potential ordinary shares.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(q) Interest income and expense

Effective interest rate
Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts 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 interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

IBOR reform Phase 2 allows as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

Amortised cost and gross carrying amount
The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

Calculation of interest income and expense
The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

For information on when financial assets are credit-impaired, note 6(a)(vii).

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(q) Interest income and expense (continued)

Presentation
Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk; and
- negative interest on financial liabilities measured at amortised cost.

Interest expense presented in the consolidated statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.
- negative interest on financial assets measured at amortised cost; and
- Interest expense on lease liabilities.

(r) Income from Islamic financing activities
Ijara income is recognised on an effective profit rate basis over the lease term, until such time a reasonable doubt exists with regard to its collectability.

Murabaha income is recognised on an effective profit rate basis over the period of the contract, until such time a reasonable doubt exists with regard to its collectability.

Mudaraba income is recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to the consolidated statement of profit or loss on their declaration by the Mudarib. Whereas the Group is the Rab Al Mal the losses are charged to the Group's consolidated statement of profit or loss when incurred.

Wakala income is recognised on the effective profit rate basis over the period, adjusted by actual income when received. Losses are accounted for when incurred.

(s) Depositors' share of profit
Depositors' share of profit is amount accrued as expense on the funds accepted from banks and customers in the form of wakala and mudaraba deposits and recognised as expenses in the consolidated statement of profit or loss. The amounts are calculated in accordance with agreed terms and conditions of the wakala deposits and Sharia'a principles.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(t) Fee and commission income and expense

The Group earns fee and commission income from a diverse range of financial services provided to its customers. The basis of accounting treatment of fees and commission depends on the purposes for which the fees are collected and accordingly the revenue is recognised in consolidated statement of profit or loss. Fee and commission income is accounted for as follows:

- income earned from the provision of services is recognised as revenue as the services are provided;
- income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in "Interest income".

A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee and commission expense relates mainly to transaction and service fees which are expensed as the services are received.

Customer loyalty programme

The Group operates loyalty programs, which allow customers to accumulate points when they use the Bank's products and services that can then be redeemed for free or discounted products or services, subject to certain conditions. The loyalty programs give rise to separate performance obligations under the separate schemes. The fair value of issued points is generally estimated based on equivalent standalone prices for the mix of awards expected and is recognized in other liabilities until the points get redeemed or lapsed. Management judgment is involved in determining the redemption rate to be used in the estimate of points to be redeemed as evidenced by the Group's historical experience.

(u) Zakat

Zakat is only paid on behalf of shareholders in jurisdictions where zakat payment is made mandatory by the regulations of the jurisdictions. Such payment is made in accordance with the regulations of the jurisdictions. On annual basis, the Group notifies shareholders on the Zakat per share payable with regards to FAB Group Islamic banking activities/assets.

(v) Net gain/(loss) on investments and derivatives

Net gain/(loss) on investments and derivatives comprises realized and unrealised gains/losses on investments at fair value through profit or loss and derivatives, realised gains/losses on non trading investment securities and dividend income. Net gain/(loss) on investment at fair value through profit or loss also includes changes in the fair value of financial assets and financial liabilities designated at fair value. Interest income and expense on financial assets and financial liabilities at FVTPL are included under net gain / loss on investment and derivatives.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(v) Net gain/(loss) on investments and derivatives (continued)

Gains and losses arising from changes in fair value of FVOCI assets are recognised in the statement of other comprehensive income and recorded in fair value reserve with the exception of ECL, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets which are recognised directly in the consolidated statement of profit or loss. Where the investment is sold or realised, the cumulative gain or loss previously recognised in equity under fair value reserve is reclassified to the consolidated statement of profit or loss in case of debt instruments.

Non trading investment securities includes FVOCI and amortised cost instruments.

The Group also holds investments in assets issued in countries with negative interest rates. The Group discloses interest paid on these assets in the line where its economic substance of transaction is reflected (note 34).

Amortised cost investments, which are not close to their maturity are not ordinarily sold. However, when they are sold or realised, the gain or loss is recognised in the consolidated statement of profit or loss.

Dividend income is recognised when the right to receive payment is established.

(w) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on transaction are generally recognised in profit or loss. However, foreign currency differences arising from the transaction arising from the translation of the following item are recognised in OCI.

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(w) Foreign currency (continued)

(ii) Foreign operations

The activities of subsidiaries and branches based outside the UAE are not deemed an integral part of the head office operations. The assets and liabilities of the foreign operations are translated into UAE Dirhams at rates of exchange at the reporting date. The income and expense of foreign operations are translated at average rates, as appropriate. Exchange differences (including those on transactions which hedge such investments) arising from retranslating the opening net assets, are taken directly to foreign currency translation adjustment account in other comprehensive income accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

If the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and recognised in OCI and accumulated in the translation reserve in the equity.

(x) Income tax

Income tax expense comprises of current and deferred tax. It is recognised in profit or loss except to the extent it relates to items recognised directly in equity or OCI.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is provided for in accordance with fiscal regulations of the respective countries in which the Group operates and is recognised in the consolidated statement of profit or loss. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated statement of profit or loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised in respect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is recognised for all taxable differences, except for the following:

- temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences relating to investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that temporary differences will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(x) Income tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow for all or part of the deferred tax asset to be utilised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest maybe due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(y) Derivative financial instruments and hedging

A derivative is a financial instrument or other contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

Derivative financial instruments are initially measured at fair value at trade date and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

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 derivative's components using appropriate pricing or valuation models mainly discounted cash flow models. The method of recognising the resulting fair value gains or losses depends on whether the derivative is held for trading, or is designated as a hedging instrument and, if so, the nature of the risk being hedged. All gains and losses from changes in fair value of derivatives held for trading are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(y) Derivative financial instruments and hedging

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the consolidated statement of financial position together with the host contract.

(z) Hedge accounting

When derivatives are designated as hedges, the Group classifies them as either:

- fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction;
- hedge of net investment which are accounted similarly to a cash flow hedge. Hedge accounting is applied to derivatives designated as hedging instruments in a fair value or cash flow, provided the criteria are met.

It is the Group's policy to document, at the inception of a hedge, the relationship between hedging instruments and hedged items, as well as risk management objective and strategy. The policy also requires documentation of the assessment, at inception and on an on-going basis, of the effectiveness of the hedge.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecasted transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(z) Hedge accounting (continued)

The Group considers that a hedging relationship is directly affected by IBOR reform if it is subject to the following uncertainty arising from the reform:

- an interest rate benchmark subject to the reform is designated as the hedged risk, regardless of whether the rate is contractually specified; and/or
- the timing or amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument is uncertain.

IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Group assumes that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Group doesn't discontinue the hedging relationship if the economic relationship between the hedged item and the hedging instrument fails to exist, although any hedge ineffectiveness is recognized in profit or loss, as normal.

When the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument or when the hedging relationship is discontinued, the Group ceases to apply the respective Phase 1 amendments.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. Under The reliefs, the Group amends the hedge designations and hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If the changes are made in addition to those economically equivalent changes required by IBOR reform described above, the Group considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for the changes required by IBOR reform as mentioned above.

Fair value hedge

When a derivative is designated as the hedging instrument in a hedge relationship, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging 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. However, if the derivative is novated to a clearing counterparty ("CCP") by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(z) Hedge accounting (continued)

Fair value hedge (continued)

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortization begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge relationship, the effective portion of changes in the fair value of the derivatives is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statement of profit or loss. The amount recognised in OCI is reclassified to consolidated statement of profit or loss as a reclassification adjustment in the same period as the hedged cash flows which affect profit or loss and in the same line in the consolidated statement of profit or loss and OCI.

If the hedging derivative expires is sold, terminated or exercised or the hedge, no longer meets the criteria for cash flow hedge accounting the hedge accounting is discounted prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

For interest rate benchmarks deemed in scope of IBOR reform, the Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges even though there is uncertainty arising from these reforms with respect to the timing and amount of the cash flows of the hedged items. If the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than IBOR reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

Net investments hedges

When a 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 the changes in the fair value of the hedging instrument is recognised in other comprehensive income in the translation reserve. The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in the consolidated statement of profit or loss. The amount recognised under other comprehensive income is fully or partially reclassified to consolidated statement of profit or loss on disposal of the foreign operation or partial disposal of the foreign operation, respectively.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(z) Hedge accounting (continued)

Other derivatives

Other non trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net gain on investments and derivatives or net foreign exchange gain.

(aa) Provisions

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

(ab) Employees' end of service benefit

The Group provides end of service benefits for its employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity or to a government organisation and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in consolidated statement of profit or loss in the periods during which services are rendered by employees.

Pension and national insurance contributions for eligible employees are made by the Group to Pensions and Benefits Fund in accordance with the applicable laws of country where such contributions are made.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the consolidated statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(ab) Employees' end of service benefit (continued)

Defined benefit plan (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in Staff cost in consolidated statement of profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately to profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(ac) Directors' remuneration

Pursuant to Article 171 of Federal Decree-Law no. (32) of 2021 and in accordance with the Bank's Articles of Association, Directors' shall be entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

(ad) 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 attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of convertible notes and share options granted to staff.

(ae) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive, being the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance for which discrete financial information is available. Segment results that are reported to the Group Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(af) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(af) Leases (continued)

Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost less any accumulated depreciation and impairment losses if any, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(af) Leases (continued)

Group acting as a lessee (continued)

Where the basis for determining future lease payments changes as required by interest rate benchmark reform the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

At the commencement date of a finance lease, as a lessor, the Group recognises assets held under a finance lease in its consolidated statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

At the commencement of an operating lease, as a lessor, the Group recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which the benefit from the use of the underlying asset is diminished.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(ag) Settlement date accounting

Purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Group settles the purchase or sale of an asset.

Notes to the consolidated financial statements

For the year ended 31 December 2023

6 Material accounting policies (continued)

(ah) Financial guarantees, letter of credit and undrawn commitment

The Group issues financial guarantees, letter of credit and loan 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 debtor fails to make payment when due, in accordance with the terms of a debt instrument. Loan commitments are irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the loss allowance; and
- the premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Financial guarantees are reviewed periodically to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on loans, advances and Islamic financing. If a specific provision is required for financial guarantees, the related unearned commissions recognised under other liabilities in the consolidated balance sheet are reclassified to the appropriate provision. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL requirements.

7 Use of estimates and judgements

In the process of applying the Group's accounting policies, IFRS require management to select suitable accounting policies, apply them consistently and make judgements, estimates and assumptions that are reasonable and prudent and would result in relevant and reliable information. Management, based on guidance in IFRS and the IASB's Framework for the preparation and presentation of financial statements has made these estimates and judgements. Listed below are those estimates and judgement which could have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has resources to continue in business for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Group. In making this assessment, the Group has considered the impact of climate-related matters on their going concern assessment.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on going concern basis.

Notes to the consolidated financial statements

For the year ended 31 December 2023

7 Use of estimates and judgements (continued)

(b) Impairment charge on financial assets

Impairment losses are evaluated as described in accounting policy 6(a)(vii).

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of multiple models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of impacts between economic inputs, such as oil prices, gross domestic product and collateral values etc. on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. The Group is currently in process for assessing the impact of climate risk in the Group's risk models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(c) Impairment charge on property and equipment

Impairment losses are evaluated as described in accounting policy note 6(a)(vii).

In determining the net realisable value, the Group uses the selling prices determined by external independent valuer companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The selling prices are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

(d) Contingent liability arising from litigation

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case, no provision is made where the probability of outflow is considered to be remote, or probable, or a reliable estimate cannot be made. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Notes to the consolidated financial statements

For the year ended 31 December 2023

7 Use of estimates and judgements (continued)

(e) Share based payment

The fair value of the share based payment scheme is determined using the Black-Scholes model. The model inputs comprise of share price, exercise price, share price volatility, contractual life of the option, dividend yield and risk-free interest rate.

(f) Valuation of financial instruments

The valuation techniques of financial instruments may require certain unobservable inputs to be estimated by management. These are discussed in detail in note 6 (a)(vi) & note 50.

Further, as a result of IBOR Reform, when financial instruments transition to RFRs, any change to the referenced interest rate affects the cash flows of the financial instrument and therefore its fair value. The transition may also result in a change to the interest rate used for the purpose of discounting the cash flows, which also affects the fair value of the financial instrument. Therefore, for measuring fair values of financial instruments using net present value and discounted cash flow models, the Group applies judgement to select the discount rate which is most appropriate for the financial instrument as IBOR reform affects the different possible interest rate benchmarks that could be selected.

(g) Defined benefit plan

The present value of the defined benefit obligation 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 obligations include the discount rate. Any changes in these assumptions would impact the carrying amount of the defined benefit obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash flows expected to be required to settle the future obligations. In determining the appropriate discount rate, the Group considers interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have the terms to maturity approximating the terms of related benefit obligation. Other key assumptions for defined benefit obligations are based in part on current market conditions. Additional information on these assumptions is disclosed in note 23.

(h) Financial asset and liability classification

The Group's accounting policies provide scope for the classification and assessment of the business model for financial assets and liabilities to be designated on inception into different accounting categories. The classification criteria are mentioned in policy note 6 (a)(ii).

(i) Structured entities

The Group's accounting policies provide scope for the classification and consolidation of structured entities in policy note 5 (iii).

For all funds managed by the Group, the investors are able to vote by simple majority to remove the Group as fund manager, and the Group's aggregate economic interest in each fund is not material. As a result, the Group has concluded that it acts as an agent for the investors in these funds, and therefore has not consolidated these funds.

Notes to the consolidated financial statements

For the year ended 31 December 2023

7 Use of estimates and judgements (continued)

(j) Operating segments
In preparation of the segment information disclosure, management has made certain assumptions to arrive at the segment reporting. These assumptions would be reassessed by management on a periodic basis. Operating segments are detailed in note 45.

(k) Effective Interest Rate (EIR) method
The Group's EIR method, as explained in note 6 (q), recognises interest income using a rate that exactly discounts estimated future cash payments or receipts 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 along with recognising the impact of transaction costs and fees and points paid or received that are an integral part of the effective interest rate. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

The IBOR reform Phase 2 requires as a practical expedient for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform, to be treated as a change to a floating rate of interest provided the transition from IBOR to RFR takes place on a basis that is economically equivalent. For changes that are not required by IBOR reform, the Group applied judgment to determine whether they result in the financial instrument being derecognised or adjust it carrying value as described below in 7 (l).

Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors.

(l) Derecognition of financial instruments
As explained in note 6(a) (iii & iv), the Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments have already been amended by the end of 2023. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortized cost and FVOCI, the Group first applies the practical expedient as described in note 7 (k) above, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

Notes to the consolidated financial statements

For the year ended 31 December 2023

7 Use of estimates and judgements (continued)

(m) Hedge accounting
The Group has designated hedge relationships as both fair value and cash flow hedges. The Group's hedge accounting policies include an element of judgement and estimation in note 6 (z).

The Group's hedged items and hedging instruments (that have not transitioned) continue to be indexed to IBOR benchmark rates, for US Dollar LIBOR. This IBOR benchmark rates are quoted each day and IBOR cash flows are exchanged with its counterparties as usual. The Group's cash flow hedging relationships of US dollar LIBOR risks extend beyond the anticipated cessation dates for the LIBOR. The Group expects that US dollar LIBOR will be replaced by SOFR, but there is uncertainty over the transition of and timing of transitioning the Group's hedged items and hedging instruments and over the amount of replacement rate cash flows. Such uncertainty may impact the hedging relationship – e.g. its effectiveness assessment and highly probable assessment.

The Group applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. The reliefs end when the Group judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain LIBORs cease.

The IBOR reform Phase 2 amendments provide temporary reliefs to enable the Group's hedge accounting to continue upon the replacement of an IBOR with an RFR. Under one of the reliefs, the Group may elect for individual RFRs to be deemed as meeting the IFRS 9 requirement to be separately identifiable components of the hedged item. For each RFR to which the relief has been applied, the Group judges that both the volume and market liquidity of financial instruments, that reference the RFR and are priced using the RFR, are already sufficient and will increase during the 24- month period with the result that, the hedged RFR risk component is separately identifiable in the change in fair value or cash flows of the hedged item.

(n) Goodwill Impairment
The Group estimates that reasonably possible changes in the assumptions used for the impairment would not cause the recoverable amount of either CGU to decline below the carrying amount.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. CGU 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 Group consolidated statement of profit or loss statement. Impairment losses recognised in respect of CGUs 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 CGU 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.

Notes to the consolidated financial statements

For the year ended 31 December 2023

7 Use of estimates and judgements (continued)

(o) Effect of Climate risk on accounting judgments and estimates

The Group makes use of reasonable and supportable information to make accounting judgments and estimates, this includes information about the observable effects of the physical and transition risks of climate change. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates.

(p) Tax

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest maybe due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(q) Investment properties

The fair value of investment properties is determined by using valuation techniques. For further details of the judgments and assumptions made (note 16).

8 Cash and balances with central banks

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Cash on hand	1,920,023	1,816,546
Central Bank of the UAE		
cash reserve deposits	34,172,748	8,413,183
other balances	28,000,000	20,000,000
Balances with other central banks	169,461,908	198,319,480
Gross cash and balances with central banks	**233,554,679**	**228,549,209**
Less: expected credit loss	(164,394)	(180,380)
Total cash and balances with central banks	**233,390,285**	**228,368,829**

As per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE reserve account, while ensuring that they meet the reserve requirements over a 14 day period. Balances with other central banks includes mandatory reserves which are available for day-to-day operations under certain specified conditions.

Notes to the consolidated financial statements

For the year ended 31 December 2023

9 Investments at fair value through profit or loss

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Investments in managed funds	8,484	8,734
Investment in private equities	3,135,857	2,240,442
Investments in equities	1,568,102	1,613,279
Debt securities	40,496,350	27,954,342
Total Investments at fair value through profit or loss	**45,208,793**	**31,816,797**

10 Due from banks and financial institutions

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Current, call and notice deposits	4,439,610	3,424,994
Margin deposits	14,728,939	15,944,139
Fixed deposits	6,155,538	5,585,680
Gross Due from banks and financial institutions	**25,324,087**	**24,954,813**
Less: expected credit loss	(57,717)	(67,857)
Total Due from banks and financial institutions	**25,266,370**	**24,886,956**

11 Reverse repurchase agreements

The Group enters into reverse repurchase agreements in the normal course of business in which the third-party transfers financial assets to the Group for short term financing.

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Reverse repurchase with banks and others	77,113,521	66,001,324
Reverse repurchase with central banks	1,477,358	3,126,726
Gross reverse repurchase agreements	**78,590,879**	**69,128,050**
Less: expected credit loss	(87,016)	(21,958)
Total reverse repurchase agreements	**78,503,863**	**69,106,092**

At 31 December 2023, the fair value of financial assets accepted as collateral that the Group is permitted to sell re-pledge in the absence of default was AED 89,895 million (31 December 2022: AED 73,791 million). At 31 December 2023, the fair value of financial assets accepted as collateral that have been sold or re-pledged was AED 8,331 million (31 December 2022: AED 11,320 million). The Group is obliged to return equivalent securities.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

Notes to the consolidated financial statements

For the year ended 31 December 2023

12 Loans, advances and Islamic financing

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Gross loans, advances and Islamic financing	504,641,140	479,724,466
Less: interest suspended	(7,186,531)	(6,251,152)
Less: expected credit loss	(13,501,089)	(13,879,987)
Net loans, advances and Islamic financing	**483,953,520**	**459,593,327**

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
By counterparty:		
Government sector	61,310,050	55,910,901
Public sector	79,383,113	90,035,562
Banking sector	12,607,202	7,920,375
Corporate / private sector	269,854,139	249,032,048
Personal / retail sector	81,486,636	76,825,580
Gross loans, advances and Islamic financing	**504,641,140**	**479,724,466**

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
By product:		
Overdrafts	21,031,461	20,465,474
Term loans	414,881,146	389,460,027
Trade related loans	32,199,144	34,109,139
Personal loans	29,252,312	28,749,858
Credit cards	5,540,986	4,960,609
Vehicle financing loans	1,736,091	1,979,359
Gross loans, advances and Islamic financing	**504,641,140**	**479,724,466**

The Group provides lending against investment in equity securities and funds. The Group is authorised to liquidate these instruments if their coverage falls below the certain agreed threshold. The carrying value of such lending is AED 77,557 million (31 December 2022: AED 55,460 million) and the fair value of instruments held as collateral against such loans is AED 188,577 million (31 December 2022: AED 178,348 million). During the year, the Group has liquidated insignificant amount of collateral due to fall in the coverage ratio.

Notes to the consolidated financial statements

For the year ended 31 December 2023

12 Loans, advances and Islamic financing (continued)

Islamic financing

Included in the above loans, advances and Islamic financing are the following Islamic financing receivables:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Ijara	12,682,712	12,276,718
Murabaha	25,428,860	25,637,275
Others	561,264	676,607
Gross Islamic financing contracts	**38,672,836**	**38,590,600**
Less: expected credit loss	(1,146,283)	(1,135,335)
Less: suspended profit	(208,217)	(175,050)
Total Islamic financing contracts	**37,318,336**	**37,280,215**

13 Non trading investment securities

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Fair value through other comprehensive income:		
-with recycle to profit or loss (Debt Investments)	170,715,855	166,591,291
-without recycle to profit or loss (Equity Investments)	4,553,321	1,070,888
Amortised cost	4,375,427	4,688,298
	179,644,603	**172,350,477**
Less: expected credit loss	(1,329)	(659)
	179,643,274	**172,349,818**

Equity investments measured at FVOCI are strategic investments for long term purposes.

An analysis of non trading investment securities by type at the reporting date is shown below:

	31-Dec-23 AED'000			31-Dec-22 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	1,051,385	3,501,936	4,553,321	866,742	204,146	1,070,888
Debt investments	174,026,558	1,064,724	175,091,282	167,117,450	4,162,139	171,279,589
	175,077,943	**4,566,660**	**179,644,603**	167,984,192	4,366,285	172,350,477
Less: expected credit loss	(1,329)	-	(1,329)	(659)	-	(659)
	175,076,614	**4,566,660**	**179,643,274**	167,983,533	4,366,285	172,349,818

Debt instruments under repurchase agreements included in non trading investment securities at 31 December 2023 amounted to AED 18,360 million (31 December 2022: AED 26,896 million).

As at 31 December 2023, the fair value of investment securities measured at amortised cost amounted to AED 4,154 million (31 December 2022: AED 4,389 million).

Notes to the consolidated financial statements

For the year ended 31 December 2023

14 Other assets

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Interest receivable	28,077,498	18,333,696
Acceptances	7,658,608	6,378,274
Sundry debtors and other receivables	5,659,249	5,766,200
Deferred tax asset	237,725	134,767
	41,633,080	**30,612,937**
Less: expected credit loss	(300,394)	(407,282)
Net other assets	**41,332,686**	**30,205,655**

The Group does not perceive any significant credit risk on interest receivable and acceptances.

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Group and is therefore recognised as a financial liability in the consolidated statement of financial position. However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

15 Investment in associates

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Investment in associates	1,500,904	1,559,303

16 Investment properties

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
As at the beginning of year	7,168,089	6,962,576
Additions	1,560,382	532,827
Disposals	(568,139)	-
Fair value adjustment	1,405	(327,314)
As at the year end	**8,161,737**	**7,168,089**

Notes to the consolidated financial statements

For the year ended 31 December 2023

16 Investment properties (continued)

Amounts recognised in the consolidated statement of profit or loss in respect of net rental income of investment properties are as follows:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Rental income derived from investment properties	168,212	156,785
Operating expenses	(54,305)	(58,515)
Net rental income from investment properties	**113,907**	**98,270**

Investment properties are stated at fair value which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under prevailing market conditions at the measurement date.

The Group's investment properties consist of land, buildings and properties under development in Abu Dhabi and Dubai. Management determined that these investment properties consist of two classes of commercial and retail assets, based on the nature, characteristics and risks of each property.

As at 31 December 2023 and 2022, fair value of the properties is based on the valuations performed by third party valuers and all are level 3 under fair value hierarchy. The valuers are accredited with recognised and relevant professional qualifications and with recent experience in the location and category of investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties; in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards.

Description of valuation techniques used and key inputs to valuation on investment properties as at 31 December 2023 and 2022:

Type	31 Dec 2023 AED'000	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs
Buildings	4,407,734	Comparable and residual method Sales comparison method	Comparable transactions Current market price of similar assets	NA
Properties under development	-	Discounted cash flow method	Discount rate Cash inflows Cash outflows	Void periods were shorter (longer); The occupancy rate were higher (lower); Rent-free periods were shorter (longer); or The risk-adjusted discount rate were lower (higher). The estimated fair value would increase (decrease) if: Expected market rental growth were higher (lower);
Land	3,754,003	Comparable and residual method	Cost of construction Developer's profit Financing cost	NA

Notes to the consolidated financial statements

For the year ended 31 December 2023

17 Property and equipment

	Land, buildings and alterations AED'000	Computer systems and equipment AED'000	Furniture, equipment, safes and vehicles AED'000	Capital work -in-progress AED'000	Total AED'000
Cost					
As at 1 January 2022	2,468,740	3,881,532	624,963	2,209,806	9,185,041
Additions	104,871	107,870	13,533	1,238,207	1,464,481
Allocations from capital work in progress	18,924	1,113,459	7,710	(1,140,093)	-
Disposals, transfers and write offs[1]	(231,572)	(372,492)	(83,914)	(416,222)	(1,104,200)
At 31 December 2022	**2,360,963**	**4,730,369**	**562,292**	**1,891,698**	**9,545,322**
As at 1 January 2023	2,360,963	4,730,369	562,292	1,891,698	9,545,322
Additions	59,738	44,115	6,368	1,195,391	1,305,612
Allocations from capital work in progress	172,912	1,042,291	15,911	(1,231,114)	-
Disposals, transfers and write offs[1]	(117,803)	(1,223,345)	(110,016)	(497,130)	(1,948,294)
At 31 December 2023	**2,475,810**	**4,593,430**	**474,555**	**1,358,845**	**8,902,640**
Accumulated depreciation and impairment losses					
As at 1 January 2022	781,941	1,994,942	442,897	-	3,219,780
Charge for the year	167,568	651,160	40,610	-	859,338
Disposals, transfers and write offs[1]	(143,984)	(160,205)	(24,814)	-	(329,003)
At 31 December 2022	**805,525**	**2,485,897**	**458,693**	-	**3,750,115**
As at 1 January 2023	805,525	2,485,897	458,693	-	3,750,115
Charge for the year	153,891	553,581	35,219	-	742,691
Disposals, transfers and write offs[1]	(70,753)	(536,262)	(98,027)	-	(705,042)
At 31 December 2023	**888,663**	**2,503,216**	**395,885**	-	**3,787,764**
Carrying amounts					
At 31 December 2022	1,555,438	2,244,472	103,599	1,891,698	5,795,207
At 31 December 2023	**1,587,147**	**2,090,214**	**78,670**	**1,358,845**	**5,114,876**

[1]adjusted for foreign exchange translation impact.

Notes to the consolidated financial statements

For the year ended 31 December 2023

18 Intangibles

	Goodwill AED'000	Customer relationship AED'000	Core deposit AED'000	License AED'000	Brand AED'000	Total AED'000
Cost						
At 1 January 2022	18,693,038	1,778,055	704,336	368,700	22,000	21,566,129
Additions	-	-	-	-	-	-
At 31 December 2022	**18,693,038**	**1,778,055**	**704,336**	**368,700**	**22,000**	**21,566,129**
At 1 January 2023	**18,693,038**	**1,778,055**	**704,336**	**368,700**	**22,000**	**21,566,129**
Additions	-	-	-	-	-	-
At 31 December 2023	**18,693,038**	**1,778,055**	**704,336**	**368,700**	**22,000**	**21,566,129**
Accumulated amortisation and impairment losses						
At 1 January 2022	-	782,892	238,007	-	10,096	1,030,995
Charge for the year	-	138,981	62,968	-	1,006	202,955
At 31 December 2022	**-**	**921,873**	**300,975**	**-**	**11,102**	**1,233,950**
At 1 January 2023	-	921,873	300,975	-	11,102	1,233,950
Charge for the year	-	135,806	59,800	-	1,006	196,612
At 31 December 2023	**-**	**1,057,679**	**360,775**	**-**	**12,108**	**1,430,562**
Carrying amounts						
At 31 December 2022	18,693,038	856,182	403,361	368,700	10,898	20,332,179
At 31 December 2023	**18,693,038**	**720,376**	**343,561**	**368,700**	**9,892**	**20,135,567**

Testing goodwill for impairment involves a significant amount of judgment. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. In a goodwill impairment test, the recoverable amounts of the goodwill carrying CGUs are compared with the respective carrying amounts. The recoverable amount is the higher of a CGUs fair value less costs of disposal and its value in use.

For the purposes of impairment testing, goodwill is allocated to the Group's independent CGUs which are Corporate & Investment Banking – AED 13,221 million, Consumer Banking – AED 4,149 million and FAB Egypt operation – AED 1,323 million (FAB Misr).

The recoverable amount for the CGUs has been calculated based on their value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs, assets and their ultimate disposal at a discount rate of 10% p.a. and a terminal growth rate ranging from 5% to 8% p.a. based on the CGU earning growth were used to estimate the recoverable amount.

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of above CGUs to decline below the carrying amount. The recoverable amount of the CGUs has been determined based on a value in use calculation, using cash flow projections covering a five-year period and by applying a terminal growth rate thereafter. The forecast cash flows have been discounted using the Weighted Average Cost of Capital.

Notes to the consolidated financial statements

For the year ended 31 December 2023

18 Intangibles (continued)

The calculation of value in use in the CGUs is most sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share during the projection period;
- Projected growth rates used to extrapolate cash flows beyond the projection period;
- Current local Gross Domestic Product ("GDP"); and
- Local inflation rates.

Goodwill is tested for impairment annually and when circumstance indicate that the carrying value may be impaired. No impairment losses were recognized during the year ended 31 December 2023 (31 December 2022: nil) because the recoverable amounts of the CGU's were determined to be higher than their carrying amounts.

19 Due to banks and financial institutions

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Banks and financial institutions		
Current, call and notice deposits	6,430,082	6,302,698
Margin	11,946,284	14,512,501
Fixed deposits	18,904,936	24,359,658
	37,281,302	**45,174,857**
Central banks		
Current and call deposits	214,974	550,310
Margin deposits	705,249	498,391
Fixed and certificate of deposits	33,326,106	15,336,782
	34,246,329	**16,385,483**
Total due to banks and financial institutions	**71,527,631**	**61,560,340**

Due to banks and financial institutions are denominated in various currencies and carry a rate of interest in the range of 0.02 % to 5.32 % (31 December 2022: 0.02% to 5.01 %).

20 Repurchase agreements

The Group enters into repurchase agreements in the normal course of business by which it transfers recognised financial assets directly to third parties.

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Repurchase agreements with banks / financial institutions	26,096,108	39,004,515
Total repurchase agreements	**26,096,108**	**39,004,515**

The carrying value that is also the fair value of financial assets collateralised at the reporting date amounted to AED 18,360 million (31 December 2022: AED 26,896 million) and their associated financial liabilities amounted to AED 26,096 million (31 December 2022: AED 39,005 million). The net difference between the fair value of the financial assets collateralised and the carrying value of the repurchase agreement is AED 7,735 million (31 December 2022: AED 12,109 million) which represents pledged financial assets received as collateral against reverse repurchase agreements or through security borrowing arrangement from custodian.

Notes to the consolidated financial statements

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21 Commercial paper

The Bank has a Euro Commercial Paper program with a limit of USD 3.5 billion and a US Dollar Commercial Paper program with a limit of USD 10 billion.

The notes outstanding as at the end of the reporting date amounted to AED 19,659 million (31 December 2022: AED 31,738 million) and have maturity period of less than 12 months.

The Group did not have any defaults of principal, interest or other breaches with respect to its Commercial paper programs during the years ended 31 December 2023 and 31 December 2022.

22 Customer accounts and other deposits

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
By account:		
Current accounts	329,825,330	271,542,224
Savings accounts	30,873,736	25,527,000
Margin accounts	2,611,168	2,418,348
Notice and time deposits	362,481,237	363,848,794
	725,791,471	**663,336,366**
Certificates of deposit	34,071,161	37,237,005
Total customer accounts and other deposits	**759,862,632**	**700,573,371**
	31 Dec 2023 AED'000	**31 Dec 2022 AED'000**
By counterparty:		
Government sector	203,000,160	224,394,105
Public sector	72,682,261	86,309,756
Corporate / private sector	337,099,286	253,762,539
Personal / retail sector	113,009,764	98,869,966
	725,791,471	**663,336,366**
Certificates of deposit	34,071,161	37,237,005
Total customer accounts and other deposits	**759,862,632**	**700,573,371**
	31 Dec 2023 AED'000	**31 Dec 2022 AED'000**
By location:		
UAE	562,984,817	506,874,227
Europe	59,495,806	50,737,901
Arab countries	51,011,029	49,187,336
Americas	35,019,223	38,908,437
Asia	15,136,645	15,010,897
Others	2,143,951	2,617,568
	725,791,471	**663,336,366**
Certificates of deposit	34,071,161	37,237,005
Total customer accounts and other deposits	**759,862,632**	**700,573,371**

Concentration by location is based on the residential status of the depositors.

Notes to the consolidated financial statements

For the year ended 31 December 2023

22 Customer accounts and other deposits (continued)

Islamic customer deposits

Included in the above Customer accounts and other deposits are the following Islamic deposits:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Current account deposits	2,025,889	2,092,064
Margin deposits	77,910	72,445
Mudaraba saving deposits	3,855,652	3,904,046
Mudaraba term deposits	72,281	98,944
Wakala deposits	6,557,545	5,827,099
Murabha deposits	437,429	345,262
Total Islamic customer deposits	**13,026,706**	**12,339,860**

23 Other liabilities

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Interest payable	24,217,471	15,955,534
Acceptances	6,831,842	4,867,808
Provision employees' end of service benefits	379,230	380,489
Accounts payable, sundry creditors and other liabilities	14,908,577	15,267,422
Income tax	594,788	577,724
Total other liabilities	**46,931,908**	**37,048,977**

Employees end of service benefits

Defined benefit obligations

The Group provides for end of service benefits for its eligible employees. An actuarial valuation has been carried out as at 31 December 2023 to ascertain present value of the defined benefit obligation. A registered actuary in the UAE was appointed to evaluate the same. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

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For the year ended 31 December 2023

23 Other liabilities (continued)

Employees end of service benefits (continued)

Defined benefit obligations (continued)

The following key assumptions (weighted average rates) were used to value the liabilities:

	31 Dec 2023	31 Dec 2022
Discount rate	5.48% per annum	2.46% per annum
Salary increase rate	2.48% per annum	2.47% per annum

Demographic assumptions for mortality, withdrawal and retirement were used in valuing the liabilities and benefits under the plan. Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used.

A shift in the in the discount rate assumption by +/- 50 basis points would impact the liability by AED 7,849 thousand (31 December 2022: AED 11,633 thousand) and AED 8,221 thousand (31 December 2022: AED 3,273 thousand) respectively. Similarly, a shift in the salary increment assumption by +/- 50 basis points would impact the liability by AED 8,759 thousand (31 December 2022: AED 2,842 thousand) and AED 8,450 thousand (31 December 2022: AED 11,254 thousand) respectively.

The movement in the employees' end of service obligation was as follows:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Balance at the beginning of year	380,489	429,976
Net charge during the year	53,415	58,432
Remeasurement losses in OCI	9,811	(34,737)
Paid during the year and other adjustments	(64,485)	(73,182)
Balance at the end of year	**379,230**	**380,489**

Defined contribution plan

The Group pays contributions for its eligible employees which are treated as defined contribution plans. The charge for the year in respect of these contributions is AED 120,084 thousand (31 December 2022: AED 116,285 thousand). As at the reporting date, pension payable of AED 15,782 thousand (31 December 2022: AED 11,355 thousand) has been classified under other liabilities.

Income tax

The Group has provided for income tax in accordance with management's estimate of the total amount payable based on tax rates enacted or substantially enacted as at the reporting date. Where appropriate the Group has made payments of tax on account in respect of these estimated liabilities.

Notes to the consolidated financial statements

For the year ended 31 December 2023

23 Other liabilities (continued)

Employees end of service benefits (continued)

Income tax (continued)

The income tax charge for the year is calculated based upon the adjusted net profit for the year. The movement in the provision was as follows:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Balance at the beginning of year	577,724	387,240
Charge for the year	1,041,742	967,621
Income tax paid, net of recoveries	(1,058,282)	(869,415)
Deferred tax movements	33,604	92,278
Balance at the end of year	**594,788**	**577,724**

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Law") to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above which taxable entities would be subject to a 9% corporate tax rate.

The Corporate Tax regime became effective for the Group from 1 January 2024. Accordingly, the Group has made a full and fair assessment of its impact including any deferred taxation. The initial recognition of deferred tax has resulted in assets of AED 131 million from the assessment.

The Group may be subject to the application of the Global Minimum Tax at a rate of 15% in the future which is dependent on the implementation of OECD Base Erosion Profit Shifting Pillar II by the UAE MoF, and countries in which the Group operates its business.

24 Term borrowings

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
At amortised cost	63,551,098	62,084,301
At fair value through profit or loss	387,829	550,832
Total term borrowings	**63,938,927**	**62,635,133**

During the year, the Group has issued various fixed and floating rate notes. The values of the notes issued are stated below:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
As at the beginning of year	62,635,133	71,643,816
New issuances	8,139,830	10,625,674
Redemptions	(8,396,933)	(13,431,531)
Fair valuation, exchange and other adjustments	1,560,897	(6,202,826)
As at the end of year	**63,938,927**	**62,635,133**

Notes to the consolidated financial statements

For the year ended 31 December 2023

24 Term Borrowings (continued)

		31-Dec-23						31-Dec-22					
Currency	Interest	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Total AED'000
AED	Fixed rate of 4.00% to 6.00% p.a.	-	3,720	1,385,261	6,351	-	1,395,332	-	-	3,647	93,132	-	96,779
AUD	Fixed rate of 1.87% to 3.17% p.a.	-	-	150,377	-	-	150,377	-	-	950,672	377,789	74,837	1,403,298
AUD	3 month AUD BBSW + up to 4.382% p.a.	-	-	1,328,235	-	74,923	1,403,158	-	-	-	145,321	-	145,321
CHF	Fixed rate of 0.07% to 1.072% p.a.	-	1,500,499	2,329,986	1,682,521	-	5,513,006	-	783,273	1,897,599	2,957,012	-	5,637,884
CNH	Fixed rate of 3% to 4.1% p.a.	432,778	942,711	4,355,812	78,345	-	5,809,646	-	185,450	4,938,747	991,592	-	6,115,789
EUR	Fixed rate of 0.125% to 3.00% p.a.	-	98,054	3,221,863	1,910,461	164,070	5,394,448	-	-	462,422	4,392,666	140,537	4,995,625
GBP	Fixed rate of 0.138% to 2.205% p.a.	-	-	2,905,575	-	80,239	2,985,814	1,989,293	-	1,667,869	961,069	74,409	4,692,640
HKD	Fixed rate of 0.475% to 4.18% p.a.	-	138,234	1,042,406	179,111	-	1,359,751	74,577	464,253	903,980	408,258	-	1,851,068
JPY	Fixed rate of 0.235% to 2.60% p.a.	52,017	-	257,100	-	-	309,117	-	-	55,716	277,261	-	332,977
MXN	Fixed rate of 0.50% p.a.	-	-	-	11,316	-	11,316	-	-	-	-	8,727	8,727
PHP	Fixed rate of 3.80% p.a.	-	146,168	-	-	-	146,168	-	-	139,941	-	-	139,941
NZD	Fixed rate of 5.5% p.a.	-	-	-	82,837	-	82,837	-	-	-	-	-	-
USD	Fixed rate of till 10.25% p.a.	4,586,043	921,551	5,897,947	10,402,235	8,032,135	29,839,911	183,650	1,803,350	4,830,334	1,247,648	183,650	8,248,632
USD	3 Month LIBOR + till 5.677% p.a.	183,650	3,911,745	1,982,833	-	183,650	6,261,878	4,922,051	566,937	8,925,560	6,508,779	4,935,790	25,859,117
USD	USD SOFR QRT OB SHIFT -5BD + 3.725 % to 5.367%	-	183,638	213,034	2,879,496	-	3,276,168	-	-	183,638	2,923,697	-	3,107,335
	Total term borrowings	**5,254,488**	**7,846,320**	**25,070,429**	**17,232,673**	**8,535,017**	**63,938,927**	**7,169,571**	**3,803,263**	**24,960,125**	**21,284,224**	**5,417,950**	**62,635,133**

Notes to the consolidated financial statements

For the year ended 31 December 2023

24 Term Borrowings (continued)

During the year, the Group has issued various fixed and floating rate notes. The Group hedges its currency and interest rate exposure on these notes. The nominal values of the notes issued during the year are stated below:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Fixed rate		
AED	1,316,050	-
CHF	-	763,485
CNH	-	475,075
EUR	-	1,773,193
USD	6,353,281	4,407,106
HKD	-	136,402
NZD	82,837	-
FloatWing rate	-	-
USD	168,958	2,710,663
	7,921,126	**10,265,924**

The Group has hedged the interest rate and foreign currency exposure on term borrowings. The nominal value hedged are AED 64 billion (31 December 2022: AED 57 billion) and the risks being hedged have a net positive fair value of AED 5,507 million (31 December 2022: net negative fair value of AED 6,168 million). The Group has not had any defaults of principal, interest, or other breaches with respect to its term borrowings during 2023 and 2022.

25 Subordinated notes

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
10 December 2012 issue (4.75 percent fixed rate maturing on 9 December 2027) (currency of issuance - MYR)	384,726	420,620
4 October 2023 issue (6.32 percent fixed rate until 4 April 2029 and if not called, then from 4 April 2029 to the maturity date, the prevailing 5-Year US Treasury rate + 1.70%, maturing on 4 April 2034) (currency of issuance - USD)	3,806,691	-
Total subordinated notes	**4,191,417**	**420,620**

The Group has hedged the interest rate and foreign currency exposure on the subordinated notes. The Group did not have any defaults of principal, interest, or other breaches with respect to its subordinated notes during the years ended 31 December 2023 and 31 December 2022.

Notes to the consolidated financial statements

For the year ended 31 December 2023

26 Capital and reserves

Share Capital

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Authorised share capital	11,047,612	11,047,612
Ordinary shares of AED 1 each	11,047,612	11,047,612
Treasury shares of AED 1 each	6,505	6,505

At the Annual General Meeting (AGM) held on 28 February 2023, the shareholders of the Bank approved a cash dividend of AED 0.52 per ordinary share amounting to AED 5,745 million (31 December 2021: cash dividend of AED 0.49 per ordinary share amounting to AED 5,351 million and a scrip dividend of AED 0.21 per ordinary share amounting to AED 2,293 million).

Statutory and special reserves

In accordance with the Bank's Articles of Association and as required by Article 241 of UAE Federal Decree Law No. (32) of 2021, a minimum of 10% of the annual net profit should be transferred to both statutory and special reserve until each of these reserves equal to 50% of the paid-up share capital. The statutory and special reserve are not available for distribution to the shareholders. No transfers were made during the year because statutory and special reserve are equal to 50% of the paid-up share capital.

Dividends

The following dividends were paid by the Group during the year ended 31 December:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Dividend on ordinary shares paid during the year	5,720,357	5,327,691

Notes to the consolidated financial statements

For the year ended 31 December 2023

26 Capital and reserves (continued)

Other reserves

Other reserves include the following:

	Fair value reserve AED'000	General reserve AED'000	Foreign currency translation reserve AED'000	IFRS 9 reserve -specific AED'000	IFRS 9 reserve – collective AED'000	Total AED'000
As at 1 January 2023	(2,270,259)	228,265	(2,175,695)	1,221,969	2,160,257	(835,463)
Other comprehensive income / (loss) for the year	1,064,549	-	(748,832)	-	-	315,717
IFRS 9 reserve movement	-	-	-	-	708,087	708,087
Realised loss on sale of FVOCI investment	20,361	-	-	-	-	20,361
As at 31 December 2023	**(1,185,349)**	**228,265**	**(2,924,527)**	**1,221,969**	**2,868,344**	**208,702**

	Fair value reserve AED'000	General reserve AED'000	Foreign currency translation reserve AED'000	IFRS 9 reserve -specific AED'000	IFRS 9 reserve – collective AED'000	Total AED'000
As at 1 January 2022	1,366,215	228,265	(535,023)	1,221,969	1,287,759	3,569,185
Other comprehensive loss for the year	(3,623,940)	-	(1,640,672)	-	-	(5,264,612)
IFRS 9 reserve movement	-	-	-	-	872,498	872,498
Realised gain on sale of FVOCI Investment	(12,534)	-	-	-	-	(12,534)
As at 31 December 2022	**(2,270,259)**	**228,265**	**(2,175,695)**	**1,221,969**	**2,160,257**	**(835,463)**

Notes to the consolidated financial statements

For the year ended 31 December 2023

26 Capital and reserves (continued)

Other reserves (continued)

(i) Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities measured at FVOCI;
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance; and
- cash flow hedge reserves.

	Revaluation reserve – instruments at FVOCI AED'000	Hedging reserve – cash flow hedge AED'000	Total AED'000
As at 1 January 2023	(1,511,573)	(758,686)	(2,270,259)
Net unrealised fair value changes	447,674	455,461	903,135
Realised loss on sale of FVOCI instruments recycled through profit or loss	127,765	-	127,765
Realised loss on sale of FVOCI instruments recycled through equity	20,361	-	20,361
Impact of ECL	33,649	-	33,649
As at 31 December 2023	**(882,124)**	**(303,225)**	**(1,185,349)**
As at 1 January 2022	1,474,560	(108,345)	1,366,215
Net unrealised fair value changes	(2,927,853)	(650,341)	(3,578,194)
Realised gain on sale of FVOCI instruments recycled through profit or loss	(43,280)	-	(43,280)
Realised gain on sale of FVOCI instruments recycled through equity	(12,534)	-	(12,534)
Impact of ECL	(2,466)	-	(2,466)
As at 31 December 2022	**(1,511,573)**	**(758,686)**	**(2,270,259)**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions. During the year, there has been no significant transfer from cash flow hedge reserve to profit or loss.

(ii) General reserve

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors.

(iii) Foreign currency translation reserve

Foreign currency translation reserve represents the exchange differences arising from translation of the net investment in foreign operations. During the year, there has been no significant transfers from foreign currency translation reserve to profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2023

26 Capital and reserves (continued)

Other reserves (continued)

(iv) IFRS 9 reserve

In accordance with CBUAE circular 28/2010 of CBUAE, during any period if provision under CBUAE guidance exceed provision calculated under IFRS 9, such excess is required to be apportioned from retained earnings to IFRS 9 reserve and this reserve shall not be adjusted for future excess provision. The details of the same as below:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Impairment reserve – Specific as at the year end		
Specific provisions under Circular 28/2010 of CBUAE	10,657,551	9,683,615
Less: Stage 3 provisions under IFRS 9	(10,450,131)	(10,299,264)
Reserve requirement	**207,420**	**(615,649)**
Reserve balance carried forward from prior year	1,221,969	1,221,969
Specific provision transferred to the impairment reserve	-	-
Reserve closing balance	**1,221,969**	**1,221,969**
Impairment reserve – Collective as at the year end		
Collective provisions under Circular 28/2010 of CBUAE	7,697,206	7,440,529
Less: Stage 1 and Stage 2 provisions under IFRS 9	(4,828,862)	(5,322,815)
Reserve requirement	**2,868,344**	**2,117,714**
Reserve balance carried forward from prior year	2,160,257	1,287,759
Collective provision transferred to the impairment reserve	708,087	872,498
Reserve closing balance	**2,868,344**	**2,160,257**

Notes to the consolidated financial statements

For the year ended 31 December 2023

27 Tier 1 capital notes

	Currency	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Government of Abu Dhabi Notes (6 month EIBOR plus 2.3 percent per annum)	AED	8,000,000	8,000,000
USD 750 million Notes (4.50 percent fixed rate per annum, thereafter reset on the first date and every sixth anniversary thereafter on the basis of the aggregate of the margin and the relevant six-year reset on the relevant U.S. Securities determination date)	USD	2,754,750	2,754,750
Total Tier 1 capital notes		**10,754,750**	**10,754,750**

Tier 1 capital notes are perpetual, subordinated, unsecured and carry coupons to be paid semi-annually in arrears. The Bank may elect not to pay a coupon at its own discretion. The note holder does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Group ranking pari passu with or junior to the notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

During the year, Tier 1 notes coupon payment election was made by the Bank in the amount of AED 652,824 thousand (31 December 2022: AED 376,465 thousand).

28 Share based payment

The Group had introduced in 2008 a share based payment scheme (the "Scheme") for selected employees which would vest over three years and can be exercised within the next three years after the vesting period. The key vesting condition is that the option holder is in continued employment with the Group until the end of the vesting period. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

The Group established a subsidiary to issue shares when the vested option is exercised by the employee. These shares are treated as treasury shares until exercised by the option holders.

During the year, no shares (31 December 2022: nil) had been awarded, therefore reallocated from treasury shares held to share capital by nil (31 December 2022: nil) and share premium has been adjusted by nil (31 December 2022: nil) accordingly relating to this.

Notes to the consolidated financial statements

For the year ended 31 December 2023

29 Interest income

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Interest from:		
Central banks	14,348,293	4,673,109
Banks and financial institutions	8,525,037	1,501,489
Reverse repurchase agreements	3,395,298	1,203,085
Non trading investment securities	6,060,625	4,682,183
Loans and advances (excluding Islamic financing)	27,383,066	16,080,935
Total interest income	**59,712,319**	**28,140,801**

30 Interest expense

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Interest to:		
Banks and financial institutions	9,819,961	2,097,112
Repurchase agreements	1,674,472	850,870
Commercial paper	1,011,122	436,672
Customer accounts and other deposits (excluding Islamic customers' deposits)	28,616,338	10,376,617
Term borrowings	2,007,315	1,388,984
Subordinated notes	75,123	19,705
Total interest expense	**43,204,331**	**15,169,960**

31 Income from Islamic financing and investing products

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Murabaha	1,672,036	960,832
Ijara	765,837	517,629
Sukuk investments	446,516	472,183
Others	26,008	12,790
Total income from Islamic financing and investing products	**2,910,397**	**1,963,434**

Notes to the consolidated financial statements

For the year ended 31 December 2023

32 Distribution on Islamic customers' deposits

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Wakala deposits	175,545	136,694
Mudaraba saving and term deposits	175,015	98,718
Islamic sukuk notes	901,580	464,298
Others	64,673	17,337
Total distribution on Islamic customers' deposits	**1,316,812**	**717,047**

The Group maintains an investment risk reserve of AED 21,681 thousand (2022: AED 12,205 thousand) which represents a portion of the depositors' share of profits set aside as a reserve.

33 Net fee and commission income

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Fee and commission income:		
Trade finance	891,863	836,909
Collection services	47,081	26,315
Brokerage income	121,065	119,399
Asset management and investment services	104,117	79,282
Consumer and corporate lending	1,757,957	1,847,026
Cards and e-services	760,837	671,052
Accounts related services	81,685	69,354
Commission on transfers	168,307	124,848
Others	349,972	201,684
Total fee and commission income	**4,282,884**	**3,975,869**
Fee and commission expense:		
Trade finance	13,301	22,774
Brokerage commission	55,919	64,134
Credit card charges	693,078	665,710
Consumer and corporate lending	290,486	301,360
Other commission	206,621	139,862
Others	15,928	1,482
Total fee and commission expense	**1,275,333**	**1,195,322**
Net fee and commission income	**3,007,551**	**2,780,547**

Notes to the consolidated financial statements

For the year ended 31 December 2023

34 Net foreign exchange gain

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Trading and retranslation gain on foreign exchange and related derivatives[1,2]	1,346,184	703,922
Dealings with customers	1,250,771	1,072,754
Total net foreign exchange gain	**2,596,955**	**1,776,676**

1 Due to effective hedging strategies, the offsetting impact of hedging instruments is reflected in the net gains from sale of non trading investment securities (note 35).

2 Includes negative interest income of (AED 549) thousand (2022: AED 90 million) arising from placement with ECB.

35 Net gain on investments and derivatives

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	3,768,188	2,188,107
Net (loss)/gain from sale of non trading investment securities	(127,765)	43,280
Dividend income	101,753	86,467
Total net gain on investments and derivatives	**3,742,176**	**2,317,854**

36 Other operating income/(loss)

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Investment property income/(loss)	149,565	(326,852)
Gain on sale of property and equipment	502	4,335
Leasing related income & other income/(loss)	(126,916)	70,428
Total other operating income/(loss)	**23,151**	**(252,089)**

Notes to the consolidated financial statements

For the year ended 31 December 2023

37 Gain on disposal of stake in subsidiary and fair value gain on retained interest

On 9 September 2023, FAB and Aldar properties signed an agreement for the sale of FAB's wholly owned subsidiary, FAB Properties LLC. As per the terms of the agreement. FAB PJSC concluded the sale of 100% of its wholly owned subsidiary, FAB Properties LLC, to Provis Real Estate Management LLC and the share transfer has taken effect and been reflected in the trade license of FAB Properties LLC on 27 December 2023. Accordingly, FAB properties LLC has been deconsolidated from the consolidated financial statements of FAB PJSC for the year ended 31 December 2023.

On 25 February 2022, the Group entered into a sale and purchase agreement (SPA) with BCP V Growth Aggregator LP ("Purchaser") whereby the Bank has agreed to sell its controlling stake of 60% of its wholly owned subsidiary, Magnati Sole Proprietorship LLC "Magnati" to the Purchaser. The Bank has recorded a gain of AED 3.1 billion within the results for the year ended as of 31 December 2022 based on this sale.

38 General, administration and other operating expenses

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Staff costs	3,469,247	3,233,289
Depreciation (note 17)	742,691	859,338
Information technology expenses	1,218,054	901,290
Professional fees	477,884	465,798
Communication expenses	208,831	212,439
Amortisation of intangibles	237,605	202,955
Premises expenses	195,012	207,948
Publicity and advertisement	111,106	114,099
Sponsorships and donations	105,198	46,302
Other general and administration expenses	359,661	461,371
Total general, administration and other operating expenses	**7,125,289**	**6,704,829**

Auditor's remuneration

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Audit services	11,700	5,250
Audit related services	8,190	6,251
Non-audit services	4,611	-
Total auditor's remuneration	**24,501**	**11,501**

Notes to the consolidated financial statements

For the year ended 31 December 2023

38 General, administration and other operating expenses (continued)

Audit services

Audit services can be defined as services rendered by the Group's statutory auditor for the audit and review of the financial statements or services that are normally provided by the statutory auditor in connection with statutory and regulatory filings.

Audit related services

Audit related services are services other than 'audit services' for which the auditor of the entity is an appropriate provider particularly where those services are required by a law or regulation relating to the jurisdiction and activities of the subject entity.

Non-audit services

Non-audit services are services which do not fall in the above two segments of service and are also not part of prohibited services.

39 Net impairment charge

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Impairment charge on		
loans, advances and Islamic financing	3,039,376	2,734,892
other financial assets	35,783	32,733
unfunded exposure	241,452	129,918
other non-financial instruments	1,594	6,891
Recoveries	(506,654)	(279,287)
Write-off of impaired financial assets	266,355	214,211
Total net impairment charge	**3,077,906**	**2,839,358**

Notes to the consolidated financial statements

For the year ended 31 December 2023

40 Income tax expense

In addition to adjustments relating to deferred taxation, the charge for the year is calculated based upon the adjusted net profit for the year at rates of tax applicable in respective overseas locations. The charge to the consolidated statement of profit or loss for the year is as follows:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Charge for the year	1,041,742	967,621

Reconciliation of Group's tax on profit based on accounting and profit as per the tax laws is as follows:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Profit before taxation	**17,551,986**	14,389,732
Effect of tax rates in overseas jurisdictions	570,461	521,529
Tax effects of:		
- Current year deferred tax	(50,662)	10,348
- Income not subject to tax	(3,457)	(3,331)
- Expenses not deductible for tax purposes	72,176	23,812
- Utilisation of previously unrecognised deferred tax	2,142	2,597
- Prior year adjustments – Corporation tax	17,347	5,488
- Prior year adjustments – Deferred tax	(1,665)	3,869
- Withholding tax deducted at source	431,400	391,309
- Mandatory remittance tax	4,000	12,000
Total income tax expense	**1,041,742**	**967,621**

41 Cash and cash equivalents

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Cash and balances with central banks	233,554,679	228,549,209
Due from banks and financial institutions	25,324,087	24,954,813
	258,878,766	**253,504,022**
Less: Balances with central banks maturing after three months of placement	(558,971)	(1,721,036)
Less: Due from banks and financial institutions maturing after three months of placement	(335,265)	(395,977)
Less: Restricted deposits with Central Banks for regulatory purposes	(786,946)	(590,988)
Total cash and cash equivalents	**257,197,584**	**250,796,021**

Notes to the consolidated financial statements

For the year ended 31 December 2023

42 Leases

The Group leases a number of branch and office premises. The leases typically run for a period of 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

Leases as lessee

Right-of-use assets

The movement during the year of right-of-use is as follows:

Right-of-use assets	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Balance as at the beginning of year	197,174	229,685
Increase during the year	(13,329)	11,432
Depreciation and other adjustments	(26,122)	(43,943)
Balance as at the end of year	**157,723**	**197,174**

Lease liabilities	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	140,908	137,443
One to five years	175,672	231,645
More than five years	5,434	9,012
Total undiscounted lease liabilities at the end of year	**322,014**	**378,100**

Amounts recognised in profit or loss	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Interest on lease liabilities	13,253	19,709
Depreciation charge for the year	71,247	81,925
Expenses relating to short-term leases and low-value assets	50,864	50,989
Total amounts recognised in profit or loss	**135,364**	**152,623**

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For the year ended 31 December 2023

43 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

There were no other significant changes in contingent liabilities and commitments during the year other than those arising out of normal course of business.

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Letters of credit	48,150,582	54,459,311
Letters of guarantees	115,894,391	99,310,954
Financial guarantees	1,223,982	824,739
Trade contingencies	**165,268,955**	**154,595,004**
Undrawn commitment to extend credit	77,843,453	77,335,909
Commitments for future capital expenditure	1,592,962	1,095,254
Commitments for future private equity investments	1,806,896	1,567,471
	81,243,311	**79,998,634**
Total commitments and contingencies	**246,512,266**	**234,593,638**

Credit risk characteristics of these unfunded facilities closely resemble the funded facilities as described in note 51(a).

Letters of credit and guarantee ("Trade contingencies") commit the Group to make payments on behalf of customers' contingent upon the production of documents or the failure of the customer to perform under the terms of the contract.

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

Financial guarantee contracts mainly pertain to the banks and financial institutions.

Concentration by location	Undrawn loan commitments		Trade contingencies	
	31 Dec 2023 AED'000	31 Dec 2022 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000
UAE	46,492,636	48,941,650	114,215,073	106,056,582
Europe	11,763,470	11,244,710	15,037,977	16,157,918
Arab countries	7,465,304	9,269,282	13,919,184	12,949,928
Americas	3,545,828	4,013,400	10,233,941	9,266,851
Asia	4,038,955	3,866,867	11,527,303	10,030,910
Others	4,537,260	-	335,477	132,815
Total concentration	**77,843,453**	**77,335,909**	**165,268,955**	**154,595,004**

Concentration by location is based on the residential status of the customers.

Notes to the consolidated financial statements

For the year ended 31 December 2023

44 Derivative financial instruments

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities and equity or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risks. Derivative financial instruments include forwards, futures, swaps and options. These transactions are primarily entered with banks and financial institutions.

Forwards and futures

Currency forwards represent commitments to purchase foreign and/or domestic currencies, including non-deliverable spot transactions (i.e. the transaction is net settled). Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk for futures contracts is negligible, as they are collateralised by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange.

Swaps

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of cashflows arising out of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain cross currency swaps. The Group's credit risk represents the potential loss if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of risk. Options may be either exchange-traded or negotiated between the Group and a customer over the counter (OTC).

Derivatives are measured at fair value by reference to published price quotations in an active market. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models like counterparty prices or valuation techniques such as discounted cash flows, market prices, yield curves and other reference market data.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to their fair values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying, reference rate or index and is the basis upon which changes in the value of 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.

Notes to the consolidated financial statements

For the year ended 31 December 2023

44 Derivative financial instruments (continued)

31 December 2023				Notional amounts by term to maturity				
	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Less than three months AED'000	From three months to one year AED'000	From one year to three years AED'000	From three years to five years AED'000	Over five years AED'000
Held for trading:								
Interest rate derivatives								
Swaps	34,907,831	34,760,856	1,604,621,861	227,817,704	225,016,422	442,558,036	252,048,586	457,181,113
Forwards & Futures	30,997	24,224	19,310,338	14,913,461	4,396,877	-	-	-
Options & Swaptions	287,370	507,477	83,962,993	2,008,309	37,158,434	13,535,724	25,390,493	5,870,033
Foreign exchange derivatives								
Forwards	2,895,245	2,632,264	400,548,236	259,408,984	117,298,730	17,856,037	5,966,900	17,585
Options	73,578	53,325	14,603,276	7,403,638	5,665,237	1,199,135	335,266	-
Other derivatives contracts	1,956,101	2,369,739	85,429,614	16,090,837	12,746,524	34,975,790	19,338,038	2,278,425
	40,151,122	40,347,885	2,208,476,318	527,642,933	402,282,224	510,124,722	303,079,283	465,347,156
Held as fair value hedges:								
Interest rate derivatives								
Swaps	5,903,922	10,098,680	375,802,277	51,681,336	146,868,036	58,524,997	64,667,646	54,060,262
	5,903,922	10,098,680	375,802,277	51,681,336	146,868,036	58,524,997	64,667,646	54,060,262
Held as cash flow hedges								
Interest rate derivatives								
Swaps	365,608	532,050	34,328,330	-	9,182,500	20,678,990	4,366,840	100,000
Foreign exchange derivatives								
Forwards	34	23,449	4,195,326	4,195,326	-	-	-	-
	365,642	555,499	38,523,656	4,195,326	9,182,500	20,678,990	4,366,840	100,000
Total	46,420,686	51,002,064	2,622,802,251	583,519,595	558,332,760	589,328,709	372,113,769	519,507,418

Notes to the consolidated financial statements

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44 Derivative financial instruments (continued)

31 December 2022	Positive market value AED'000	Negative market value AED'000	Notional amounts by term to maturity: Notional amount AED'000	Less than three months AED'000	From three months to one year AED'000	From one year to three years AED'000	From three years to five years AED'000	Over five years AED'000
Held for trading:								
Interest rate derivatives								
Swaps	44,416,976	45,049,825	1,391,430,712	133,460,604	194,365,404	416,059,274	229,649,117	417,896,313
Forwards & Futures	44,216	12,248	49,064,627	23,330,850	20,445,828	5,287,949	-	-
Options & Swaptions	462,099	638,125	78,377,825	925,943	4,410,941	39,318,072	15,256,243	18,466,626
Foreign exchange derivatives								
Forwards	3,926,153	4,467,739	327,260,288	217,773,233	85,244,571	19,145,328	5,097,156	-
Options	220,467	189,446	39,507,992	20,554,782	16,942,221	2,010,989	-	-
Other derivatives contracts	2,092,531	1,206,982	68,259,953	5,465,276	12,730,541	25,869,223	22,446,673	1,748,240
	51,162,442	**51,564,365**	**1,953,901,397**	**401,510,688**	**334,139,506**	**507,690,835**	**272,449,189**	**438,111,179**
Held as fair value hedges:								
Interest rate derivatives								
Swaps	7,649,543	9,745,587	460,856,499	155,433,259	136,163,364	55,594,766	64,201,509	49,463,601
	7,649,543	**9,745,587**	**460,856,499**	**155,433,259**	**136,163,364**	**55,594,766**	**64,201,509**	**49,463,601**
Held as cash flow hedges								
Interest rate derivatives								
Swaps	19,002	705,997	8,323,490	-	-	3,856,650	550,950	3,915,890
Foreign exchange derivatives								
Forwards	42,856	8,591	3,290,258	3,290,258	-	-	-	-
	61,858	**714,588**	**11,613,748**	**3,290,258**	**-**	**3,856,650**	**550,950**	**3,915,890**
Total	58,873,843	62,024,540	2,426,371,644	560,234,205	470,302,870	567,142,251	337,201,648	491,490,670

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44 Derivative financial instruments (continued)

The positive / negative fair value in respect of derivatives represents the gain/loss respectively, arising on fair valuation of the trading and hedging instrument. These amounts are not indicative of any current or future losses, as a similar positive / negative amount has been adjusted to the carrying value of the hedged loans, advances and Islamic financing, non trading investment securities, term borrowings and subordinated notes.

As at 31 December 2023, the Group received cash collateral of AED 13,844 million (31 December 2022: AED 18,368 million) against positive fair value of derivative assets from certain counterparties. Correspondingly, the Group placed cash collateral of AED 16,199 million (31 December 2022: AED 16,289 million) against the negative fair value of derivative liabilities.

Derivatives held for trading purposes

The Group uses derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate and credit risks or initiates positions with the expectation of profiting from favourable movement in prices, rates or indices. The instruments used mainly include interest rate and currency swaps and forward contracts. The fair values of those derivatives are shown in the table above.

Derivatives held for hedging purposes

Derivatives held as fair value hedge

The Group uses derivative financial instruments for economic hedging purposes as part of its asset and liability management strategy by taking offsetting positions in order to reduce its own exposure to fluctuations in exchange and interest rates. The Group uses interest rate swaps to hedge against the changes in fair value arising from specifically identified interest bearing assets such as loans, advances and Islamic financing, non trading investment securities, term borrowings and subordinate notes. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

Derivatives held as cash flow hedge

The Group uses forward contracts to hedge the foreign currency risk arising from its financial instruments. The Group has substantially matched the critical terms of the derivatives to have an effective hedge relationship.

45 Segmental information

The operating structure consists of four key Business segments across Geographic segments that are driving the business strategy, customer value propositions, products and channel development and customer relationships in addition to supporting the delivery of the Group's financial performance.

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

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45 Segmental information (continued)

Business segments

Investment Banking ("IB")
IB offers banking and financing solutions, including corporate & Islamic finance, capital markets, transaction banking, trade, liquidity and cash management services along with a broad range of risk management solutions across credit, rates, FX and money market products. Focused on Institutional clients, IB team enhances product delivery and specialization across various customer sectors which includes Government, Sovereign & Public Sector, Sovereign Wealth Fund & Financial Sponsors, Natural Resources, Global Diversified Industrials, Financial Institutions Group & Global Subsidiaries.

Corporate & Commercial ("CCB")
CCB focuses on large corporates, medium and small entities with diversified products offering across sub segments which includes Corporate Banking, Contracting, Commercial Banking and Privileged Client Group.

Consumer Banking ("CB")
The business targets consumer & elite segment across conventional and Islamic sector. The products' ranges offered include everyday banking products such as current accounts, deposits, credit cards, loans, wealth products etc. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, direct sales agents and through its banking subsidiaries namely and First Abu Dhabi Islamic Finance.

Global Private Banking ("GPB")
The business targets affluent and high net-worth customers across conventional and Islamic sector. The products' ranges offered include everyday banking products plus sophisticated investment solutions, brokerage and securities services. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, relationship managers and through its banking subsidiaries including mainly FAB Securities.

Head office
The Group provides centralized human resources, information technology, operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal & compliance, internal audit, procurement, treasury operations and administrative support to all of its business units.

As part of the Group's diversified business model, HO also includes certain subsidiaries partially or fully owned by the Group, providing banking services and other complementary offerings across real estate and property management services. These include First Gulf Libya, Mismak, FAB Properties, Abu Dhabi National Properties and certain other portfolios. FAB Misr has been included in HO, on an interim basis, whilst product and business segmentation are aligned to the Group norms.

Notes to the consolidated financial statements

For the year ended 31 December 2023

45 Segmental information (continued)

Business segments (continued)

Geographic segments
The Group is managing its various business segments through a network of branches, subsidiaries and representative offices within the two defined geographic segments which are UAE and International.

	Business Segment						Geographic Segment		
	Investment Banking AED'000	Corporate and commercial Banking Group AED'000	Consumer Banking AED'000	Global Private Banking AED'000	Head Office AED'000	Total AED'000	UAE AED'000	International AED'000	Total AED'000
For the year ended 31 December 2023									
Net interest income and income from Islamic financing and investing products	5,854,691	5,553,313	3,032,102	868,011	2,793,456	18,101,573	15,385,672	2,715,901	18,101,573
Net non-interest income	6,156,284	1,313,866	763,307	309,663	826,713	9,369,833	6,793,171	2,576,662	9,369,833
Operating income	12,010,975	6,867,179	3,795,409	1,177,674	3,620,169	27,471,406	22,178,843	5,292,563	27,471,406
Gain on disposal of stake in subsidiary and fair value gain on retained interest	-	-	-	-	283,775	283,775	283,775	-	283,775
Total Income including gain on disposal of stake in subsidiary and fair value gain on retained interest	12,010,975	6,867,179	3,795,409	1,177,674	3,903,944	27,755,181	22,462,618	5,292,563	27,755,181
General administration and other operating expenses	2,093,233	865,708	2,233,454	500,760	1,432,134	7,125,289	5,403,740	1,721,549	7,125,289
Net impairment charge	531,235	1,322,587	779,056	11,485	433,543	3,077,906	2,036,520	1,041,386	3,077,906
Profit before taxation	9,386,507	4,678,884	782,899	665,429	2,038,267	17,551,986	15,022,358	2,529,628	17,551,986
Income tax expense	498,212	(44,916)	(21,061)	99,682	509,825	1,041,742	298,106	743,636	1,041,742
Profit for the year	8,888,295	4,723,800	803,960	565,747	1,528,442	16,510,244	14,724,252	1,785,992	16,510,244
As at 31 December 2023									
Segment total assets	796,059,460	160,128,624	60,309,531	31,057,235	98,461,488	1,146,016,338	976,147,762	338,952,071	1,315,099,833
Inter segment balances						22,616,223			(146,467,272)
Total assets						1,168,632,561			1,168,632,561
Segment total liabilities	643,380,532	159,198,081	65,843,401	33,795,149	118,376,070	1,020,593,233	882,079,958	307,596,770	1,189,676,728
Inter segment balances						22,616,223			(146,467,272)
Total liabilities						1,043,209,456			1,043,209,456

Notes to the consolidated financial statements

For the year ended 31 December 2023

45 Segmental information (continued)

Business segments (continued)

Geographic segments (continued)

	Business Segment						Geographic Segment		
	Investment Banking AED'000	Corporate and commercial Banking Group AED'000	Consumer Banking AED'000	Global Private Banking AED'000	Head Office AED'000	Total AED'000	UAE AED'000	International AED'000	Total AED'000
For the year ended 31 December 2022									
Net interest income and income from Islamic financing and investing products	4,772,795	3,598,791	3,065,457	778,823	2,001,362	14,217,228	11,380,497	2,836,731	14,217,228
Net non-interest income	4,101,292	1,361,073	568,926	252,607	339,090	6,622,988	4,676,195	1,946,793	6,622,988
Operating income	8,874,087	4,959,864	3,634,383	1,031,430	2,340,452	20,840,216	16,056,692	4,783,524	20,840,216
Gain on disposal of stake in subsidiary and fair value gain on retained interest	-	-	3,093,703	-	-	3,093,703	3,093,703	-	3,093,703
Total Income including gain on disposal of stake in subsidiary and fair value gain on retained interest	**8,874,087**	**4,959,864**	**6,728,086**	**1,031,430**	**2,340,452**	**23,933,919**	**19,150,395**	**4,783,524**	**23,933,919**
General administration and other operating expenses	1,772,851	892,102	2,055,458	455,417	1,529,001	6,704,829	4,919,172	1,785,657	6,704,829
Net impairment charge	459,480	1,810,447	260,719	(154)	308,866	2,839,358	1,681,738	1,157,620	2,839,358
Profit before taxation	6,641,756	2,257,315	4,411,909	576,167	502,585	14,389,732	12,549,485	1,840,247	14,389,732
Income tax expense	349,046	46,057	11	46,185	526,322	967,621	232,121	735,500	967,621
Profit for the year	**6,292,710**	**2,211,258**	**4,411,898**	**529,982**	**(23,737)**	**13,422,111**	**12,317,364**	**1,104,747**	**13,422,111**
As at 31 December 2022									
Segment total assets	**775,420,885**	**157,324,588**	**55,417,243**	**29,570,241**	**132,731,767**	**1,150,464,724**	**931,177,868**	**353,663,689**	**1,284,841,557**
Inter segment balances						**(40,408,629)**			**(174,785,462)**
Total assets						**1,110,056,095**			**1,110,056,095**
Segment total liabilities	**663,926,165**	**155,742,073**	**67,220,488**	**30,135,430**	**118,390,325**	**1,035,414,481**	**841,692,212**	**328,099,102**	**1,169,791,314**
Inter segment balances						**(40,408,629)**			**(174,785,462)**
Total liabilities						**995,005,852**			**995,005,852**

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46 Earnings per share

Earnings per share is calculated by dividing the net profit for the year after deduction of Tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the year as set out below:

	31 Dec 2023	31 Dec 2022
Basic earnings per share:		
Net profit for the year (AED'000)	16,405,493	13,411,198
Less: payment on Tier 1 capital notes (AED'000)	(652,824)	(376,465)
Net profit after payment of Tier 1 capital notes (AED'000)	**15,752,669**	**13,034,733**
Weighted average number of ordinary shares:		
Number of shares issued / deemed to be outstanding from the beginning of the year ('000)	11,041,107	10,913,570
effect due to Scrip Dividend issued during the year ('000)	-	127,537
Weighted average number of ordinary shares ('000)	11,041,107	11,041,107
Basic earnings per share (AED)	**1.43**	**1.18**
Diluted earnings per share:		
Net profit for the year for calculating diluted earnings per share (AED'000)	15,752,669	13,034,733
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	11,041,107	11,041,107
Diluted earnings per share (AED)	**1.43**	**1.18**

47 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholder, directors and key management personnel of the Group. Key management personnel comprise those executive committee members "EXCO" of the Group who are involved in the strategic planning and decision making of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

The Group operates in a market dominated by entities directly or indirectly controlled by the Government of Abu Dhabi through its government authorities, agencies, affiliations and other organizations, collectively referred to as government-related entities. The Group has transactions with other government-related entities and these transactions are conducted in the ordinary course of its business on terms agreed by the Board.

Notes to the consolidated financial statements

For the year ended 31 December 2023

47 Related parties (contniued)

Balances and transactions with related parties at the reporting date are shown below:

Details of Board of Directors ("BOD") remuneration and key management personnel remuneration is as follows:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
BOD remuneration paid during the year	45,000	45,000
Long term benefits	63,696	46,624
Short term benefits	5,439	2,752

The balances with related parties are allocated to stage 1 of the ECL model. As at 31 December 2023, the ECL allowance held against related party balances amounted to AED 34 million (31 December 2022: AED 45 million).

Balances and transactions with related parties at the reporting date are shown below:

	Board of directors AED'000	Major shareholders AED'000	Senior Management AED'000	Associates AED'000	Total AED'000
As of 31 December 2023					
Financial assets					
Investments at fair value through profit or loss	-	60,830	-	-	60,830
Reverse purchase agreements	-	538,691	-	-	538,691
Derivative financial instruments	-	51,636	-	-	51,636
Loans, advances and Islamic financing	2,845,809	30,982,683	106,486	861,978	34,796,956
Non trading investment securities	-	3,787,601	-	-	3,787,601
Other assets	27,183	567,698	3,002	510	598,393
Financial liabilities					
Derivative financial instruments	-	223,708	-	-	223,708
Customer accounts and other deposits	13,038,346	8,649,230	47,052	824,731	22,559,359
Other liabilities	194,465	43,569	298	5	238,337
Contingent liabilities					
Derivatives	-	8,287,164	-	-	8,287,164
Letter of credits	-	351,934	-	-	351,934
Letter of guarantees	28,735	1,072,893	-	184	1,101,812
For the year ended 31 December 2023					
Interest income	153,399	1,715,430	2,696	41,926	1,913,451
Interest expense	257,181	635,481	851	96,726	990,239
Fee and commission income	2,649	60,946	22	16,227	79,844
Fee and commission expense	-	-	-	131,769	131,769
Net gain on investments and derivatives	-	90,523	-	34,854	125,377

Notes to the consolidated financial statements

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47 Related parties (contniued)

	Board of directors AED'000	Major shareholders AED'000	Senior Management AED'000	Associates AED'000	Total AED'000
As of 31 December 2022					
Financial assets					
Investments at fair value through profit or loss	-	88,543	-	-	88,543
Due from banks and financial institutions	-	4,583	-	-	4,583
Reverse purchase agreements	-	202,631	-	-	202,631
Derivative financial instruments	-	34,295	-	-	34,295
Loans, advances and Islamic financing	11,410,041	30,634,946	61,558	970,081	43,076,626
Non trading investment securities	-	4,547,584	-	-	4,547,584
Other assets	142,926	491,479	978	306	635,689
Financial liabilities					
Derivative financial instruments	-	257,781	-	-	257,781
Customer accounts and other deposits	13,792,656	36,015,974	25,205	417,982	50,251,817
Other liabilities	134,867	207,979	80	-	342,926
Contingent liabilities					
Derivatives	-	6,306,699	-	-	6,306,699
Letter of credits	556	1,819,641	-	-	1,820,197
Letter of guarantees	328,169	571,761	-	184	900,114
For the year ended 31 December 2022					
Interest income	387,169	876,773	1,638	12,807	1,278,387
Interest expense	199,718	330,321	412	5,760	536,211
Fee and commission income	37,802	86,515	31	1,281	125,629
Fee and commission expense	-	-	-	94,817	94,817
Net gain on investments and derivatives	-	(390,294)	-	32,497	(357,797)

48 Fiduciary activities

The Group held assets under management in trust or in a fiduciary capacity for its customers at 31 December 2023 amounting to AED 14,285 million (31 December 2022: AED 12,413 million). Furthermore, the Group provides custodian services for some of its customers.

The underlying assets held in a custodial or fiduciary capacity are excluded from these consolidated financial statements of the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2023

49 Special Purpose Entity

The Group has created a Special Purpose Entity (SPE) with defined objectives to carry on fund management and investment activities on behalf of customers. The equity and investments managed by the SPE are not controlled by the Group and the Group does not obtain benefits from the SPE operations, apart from commissions and fee income. In addition, the Group does not provide any guarantees or assume any liabilities of these entities. Consequently, the SPE assets, liabilities and results of operations are not included in these consolidated financial statements of the Group. The SPE is as follows:

Legal name	Activities	Country of incorporation	Holding 2023	Holding 2022
One share PLC	Investment Company	Republic of Ireland	100%	100%
FAB Invest SPV RSC Limited	Investment Company	UAE	100%	-
1968A SPV RSC Limited	Investment Company	UAE	100%	-
1968B SPV RSC Limited	Investment Company	UAE	100%	-

50 Fair value measurement

(a) Valuation framework

The Group has an established control framework for the measurement of fair values. Several control functions support this framework (Valuation Control within Finance and Market Risk Analytics within Risk functions) that are independent of Front Office. Significant valuation issues are reported to the Group Valuation Committee operating under the Board Risk and ESG Committee.

Specific controls include:

- Independent verification of market data used in the valuation process and valuation adjustments when significant deviations are observed;
- Review of significant unobservable and stale inputs and significant changes to the fair value measurement of Level 3 instruments;
- Validation and approval process for new models and frequent review of existing models or when changes are performed;
- Profit and loss variance analysis process for changes in fair value.

When third party information, such as broker quotes or pricing services is used to measure fair value, Valuation Control assesses and documents the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of IFRS Standards. This includes:

- Verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then understanding how fair value has been determined using those quotes.

Significant valuation issues are reported to the Group Valuation and Audit Committees.

Notes to the consolidated financial statements

For the year ended 31 December 2023

50 Fair value measurement (continued)

(b) Fair value adjustments

Exit risk adjustments:

These reflect the bid-offer costs that would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position. Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Credit risk adjustments

The credit valuation adjustment ('CVA') is an adjustment to the valuation of over the counter ('OTC') derivative contracts to reflect the possibility that the counterparty may default and that the Group may not receive the full market value of the transactions. The debt valuation adjustment ('DVA') is an adjustment to the valuation of OTC derivative contracts to reflect the possibility that the Group may default, and that it may not pay the full market value of the transactions.

These adjustments are calculated for both uncollateralised and collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of expected positive and negative exposures respectively, probability of default and recovery rates, at a counterparty level. Counterparties include (but are not limited to) financial institutions, corporates, sovereigns and sovereign agencies and supranationals. Expected exposure is generally estimated through the simulation of underlying risk factors through Monte Carlo simulation techniques.

Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping the counterparty to a sector curve based on the rating, the region and the industry sector.

At the year end, CVA and DVA adjustments aggregated to AED nil (31 December 2022: AED 6 million).

Model related adjustments

These applied when either model inputs are overly simplified, the model has limitations deriving the fair value of a position or there is no market wide consensus on the choice of a model. These adjustments are required to correct existing model weaknesses or deficiencies that were highlighted during the model validation process.

Bid-offer

The Bank's pricing models initially calculate mid-market prices, which are subsequently adjusted to reflect bid-offer spreads (the difference between prices quoted for sales and purchases).

Model uncertainty

The models applied by the Bank may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as new market conditions. Such interim adjustments are reflected in the model uncertainty adjustments until the base models are updated.

Notes to the consolidated financial statements

For the year ended 31 December 2023

50 Fair value measurement (continued)

(c) Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.
Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

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

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

Model inputs and parameters are based on and calibrated to market observable prices, including broker quotes, current or recent transaction prices and market consensus, where available. In absence of market observable prices, empirical data and/or judgement may be required in model calibration process, which is inherently subjective and can yield range of possible inputs and estimates of fair value. Management uses prudent judgement to select the most appropriate point in the range.

(d) Valuation techniques

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the consolidated financial statements

For the year ended 31 December 2023

50 Fair value measurement (continued)

(d) Valuation techniques (continued)

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain OTC structured derivatives, certain loans, securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates. In cases where inputs are deemed unobservable, additional provision may be required to cater for the higher valuation uncertainty.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa – e.g. interest rate swaps – fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants would take this into consideration in pricing the derivatives.

Derivatives

OTC derivative valuation models calculate the present value of expected future cash flows, based upon 'no arbitrage' principles. For many vanilla derivative products, the modelling approaches used are standard across the industry. For more complex derivative products, there may be some differences in market practice. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. Certain inputs may not be observable in the market directly but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Private equity

Investments in private equity funds are valued using net asset values ('NAV') received by the external fund manager. Adjustments may be required to the NAV of funds to obtain valuations that considers exit costs observable on the secondary market and to reflect the uncertainty inherent to the nature of the investments held.

Securities

Fair value is determined using quoted prices in active markets when available. When not available, quoted prices in less active markets are used. In the absence of position's specific quoted prices, fair value may be determined through benchmarking from comparable instruments.

Structured notes

These comprise principally credit-linked notes issued by the Bank, which provide the counterparty with a return linked to the creditworthiness of specific underlying. Examples of the unobservable parameters include correlations between underlying.

Notes to the consolidated financial statements

For the year ended 31 December 2023

50 Fair value measurement (continued)

(e) Fair value of financial instruments

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2023:

	Fair value through profit or loss AED'000	FVOCI – with recycle to profit or loss AED'000	FVOCI – without recycle to profit or loss AED'000	Amortised cost AED'000	Carrying amount AED'000
Financial Assets					
Cash and balances with central banks	-	-	-	233,390,285	233,390,285
Investments at fair value through profit or loss	45,208,793	-	-	-	45,208,793
Due from banks and financial institutions	-	-	-	25,266,370	25,266,370
Reverse repurchase agreements	-	-	-	78,503,863	78,503,863
Derivative financial instruments	46,420,686	-	-	-	46,420,686
Loans, advances and Islamic financing	-	-	-	483,953,520	483,953,520
Non trading investment securities	-	170,714,526	4,553,321	4,375,427	179,643,274
Other assets	-	-	-	39,767,380	39,767,380
	91,629,479	**170,714,526**	**4,553,321**	**865,256,845**	**1,132,154,171**
Financial Liabilities					
Due to banks and financial institutions	-	-	-	71,527,631	71,527,631
Repurchase agreements	-	-	-	26,096,108	26,096,108
Commercial Paper	-	-	-	19,658,769	19,658,769
Derivative financial instruments	51,002,064	-	-	-	51,002,064
Customer accounts and other deposits	-	-	-	759,862,632	759,862,632
Other liabilities[1]	972,347	-	-	44,138,726	45,111,073
Term borrowings	387,829	-	-	63,551,098	63,938,927
Subordinated notes	-	-	-	4,191,417	4,191,417
	52,362,240	**-**	**-**	**989,026,381**	**1,041,388,621**

[1]Other liabilities that are held for trading are classified as level 1 in the fair value hierarchy.

Management considers that the carrying amounts of Group's financial assets and liabilities do not materially differ from their fair values as at the year-end.

Notes to the consolidated financial statements

For the year ended 31 December 2023

50 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2022:

	Fair value through profit or loss AED'000	FVOCI – with recycle to profit or loss AED'000	FVOCI – without recycle to profit or loss AED'000	Amortised cost AED'000	Carrying amount AED'000
Financial Assets					
Cash and balances with central banks	-	-	-	228,368,829	228,368,829
Investments at fair value through profit or loss	31,816,797	-	-	-	31,816,797
Due from banks and financial institutions	-	-	-	24,886,956	24,886,956
Reverse repurchase agreements	-	-	-	69,106,092	69,106,092
Derivative financial instruments	58,873,843	-	-	-	58,873,843
Loans, advances and Islamic financing	-	-	-	459,593,327	459,593,327
Non trading investment securities	-	166,590,632	1,070,888	4,688,298	172,349,818
Other assets	-	-	-	29,808,871	29,808,871
	90,690,640	**166,590,632**	**1,070,888**	**816,452,373**	**1,074,804,533**
Financial Liabilities					
Due to banks and financial institutions	-	-	-	61,560,340	61,560,340
Repurchase agreements	-	-	-	39,004,515	39,004,515
Commercial Paper	-	-	-	31,738,356	31,738,356
Derivative financial instruments	62,024,540	-	-	-	62,024,540
Customer accounts and other deposits	-	-	-	700,573,371	700,573,371
Other liabilities[1]	377,344	-	-	34,985,589	35,362,933
Term borrowings	550,832	-	-	62,084,301	62,635,133
Subordinated notes	-	-	-	420,620	420,620
	62,952,716	**-**	**-**	**930,367,092**	**993,319,808**

[1]Other liabilities that are held for trading are classified as level 1 in the fair value hierarchy.

Management considers that the carrying amounts of Group's financial assets and liabilities do not materially differ from their fair values as at the year-end.

Notes to the consolidated financial statements

For the year ended 31 December 2023

50 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

Financial instruments measured at fair value - hierarchy

The table below analyses the levels within the fair value hierarchy of financial instruments measured at fair value at the end of the reporting period:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2023				
Investment at fair value through profit or loss	6,707,309	35,357,111	3,144,373	45,208,793
FVOCI - with recycle to profit or loss	133,541,666	36,255,139	919,050	170,715,855
FVOCI - without recycle to profit or loss	1,024,923	3,321,486	206,912	4,553,321
Derivative financial instruments (Assets)	634,043	45,775,514	11,129	46,420,686
	141,907,941	**120,709,250**	**4,281,464**	**266,898,655**
Derivative financial instruments (Liabilities)	931,145	50,070,564	355	51,002,064
Term borrowings	-	387,829	-	387,829
	931,145	**50,458,393**	**355**	**51,389,893**
As at 31 December 2022				
Investment at fair value through profit or loss	3,544,623	23,020,053	5,252,121	31,816,797
FVOCI - with recycle to profit or loss	123,004,285	38,978,992	4,608,014	166,591,291
FVOCI - without recycle to profit or loss	792,992	73,750	204,146	1,070,888
Derivative financial instruments (Assets)	273,080	58,600,024	739	58,873,843
	127,614,980	**120,672,819**	**10,065,020**	**258,352,819**
Derivative financial instruments (Liabilities)	643,082	61,381,458	-	62,024,540
Term borrowings	-	550,832	-	550,832
	643,082	**61,932,290**	**-**	**62,575,372**

Notes to the consolidated financial statements

For the year ended 31 December 2023

50 Fair value measurement (continued)

(e) Fair value of financial instruments (continued)

The following table shows the transfer between the hierarchies:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2023				
Investment at fair value through profit or loss				
Transfer from 1 to 2	-	95,482	-	95,482
Transfer from 1 to 3	-	-	90,698	90,698
Transfer from 2 to 1	632,419	-	-	632,419
Transfer from 3 to 1	264	-	-	264
Non trading investment securities				
Transfer from 1 to 2	-	2,830,111	-	2,830,111
Transfer from 1 to 3	-	-	2,837	2,837
Transfer from 2 to 1	8,178,857	-	-	8,178,857
Transfer from 2 to 3	-	-	2,053	2,053
Transfer from 3 to 1	383,651	-	-	383,651
Transfer from 3 to 2	-	3,629,590	-	3,629,590
	9,195,191	**6,555,183**	**95,588**	**15,845,962**
As at 31 December 2022				
Investment at fair value through profit or loss				
Transfer from 1 to 2	-	56,023	-	56,023
Transfer from 1 to 3	-	-	571	571
Transfer from 2 to 1	6,302	-	-	6,302
Non trading investment securities				
Transfer from 1 to 2	-	8,010,451	-	8,010,451
Transfer from 2 to 1	2,568,018	-	-	2,568,018
Transfer from 2 to 3	-	-	228,529	228,529
Transfer from 3 to 2	-	486,375	-	486,375
	2,574,320	**8,552,849**	**229,100**	**11,356,269**

The following table shows a reconciliation of instruments measured at fair value (assets) and classified as Level 3:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Balance as at the beginning of year	10,065,020	11,121,359
Additions / Transfers	914,473	3,967,096
Settlements and other adjustments	(6,698,384)	(5,023,435)
Balance as at the end of year	**4,281,109**	**10,065,020**

The Level 3 financial instruments includes private equity investments, and their valuations are based on the last net asset published by the fund manager. The effect of changes in its valuation is covered as part of equity price risk included in note 51(c). The remaining mainly comprise of debt instruments which are priced using last available prices.

Any change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change the fair value significantly.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management

Risk management framework

Introduction and overview
The primary objective of the Group is to manage risk and provide risk adjusted returns to the shareholders in line with the accepted risk profile. In the course of doing its regular business activities, the Group gets exposed to multiple risks notably (a) credit risk; (b) market risk (including interest rate risk in the trading book, currency risk, equity risk in the trading book); (c) liquidity risk; (d) interest rate risk in the banking book; (e) capital risk (f) operational risk (including risk of fraud); (g) legal and compliance risk; (h) ESG risks (i) information security risk, (j) business continuity, (k) technology risks, (l) model risks and (m) shari'ah compliance risks. A well-established risk governance and ownership structure ensures oversight and accountability of the effective management of risk at the Group. The Risk management tone is set right at the top from the Board of Directors ("BOD") and gets implemented through a well-defined risk management structure and framework.

Composition of Board
The Board of Directors ("BOD") is responsible for the overall direction, supervision and control of the Group. The BOD has delegated authority to specialist committees who support the Board in execution of its responsibilities. The day-to-day management of the Group is conducted by the Group Chief Executive Officer ("GCEO") and the Group Executive Committee as delegated by the Board. The BOD has overall responsibility for the Group including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values within the agreed framework in accordance with relevant statutory and regulatory structures. In accordance with the Bank's Articles of Association, the BOD comprises eleven members. Each Director holds the position for three years, which may then be renewed for a further three year term. The Board of Directors of the Bank's subsidiaries has the same fiduciary responsibilities towards their respective entities as the Bank's Directors have towards the Group.

Corporate Governance Framework
The Group has a comprehensive Corporate Governance Framework that puts in place rules, processes and policies through which BOD and Senior Management manages the Group. The BOD drives the implementation of the corporate governance standards and in accordance with its charter, has oversight responsibility for the Group's corporate governance framework. The Group corporate governance standards sets the highest standards of professionalism and requires subsidiaries and international locations to setup individual specific governance frameworks, in alignment with the Group governance framework, to govern them. The Head of Corporate Governance is the custodian of the Corporate Governance Framework document.

Risk Management Structure
The BOD approves risk management plans for the Bank, its subsidiaries, its associates and international offices including representative offices and overseas branches. Under authority delegated by the BOD, the Board Risk and ESG Committee ("BRESGC") through its separately convened risk management meetings formulates high-level enterprise risk management policy, exercises delegated risk authorities and oversees the implementation of risk management framework and controls. The GCRO functionally reports to this Committee.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

Board Level Committees within the Group

Board Management Committee ("BMC")
The BMC approves and oversees execution of the Group's business plan per the strategy approved by the Board and oversees and reviews material aspects of the business of the Group. The Committee meets quarterly or more frequently as deemed necessary.

Board Risk and ESG Committee ("BRESGC")
The BRESGC provides oversight and advice to the Group Board in relation to current and potential future risk and compliance exposures of the Group. It also considers and helps direct future risk strategy, including determination of risk appetite and tolerance as well as promote a risk and compliance awareness culture in the Group. The committee also oversees and provides guidance to the Board of Directors on key ESG matters. The Committee meets quarterly or more frequently as deemed necessary. The Group's risk management function has a direct reporting line to the BRESGC through the Group Chief Risk Officer.

Board Audit Committee ("BAC")
BAC ensures oversight of the effectiveness of the internal control systems and the quality and integrity of financial statements and financial reporting. In addition, it reviews, approves and oversees the internal and external audit programs and ensures coordination between internal and external auditors. The Group Chief Audit Officer ("GCAO") provides reports to the Committee on internal controls and the Head of Compliance reports directly to the BAC on compliance related matters. The Committee meets quarterly or more frequently as deemed necessary.

Remuneration and Nomination Committee ("REMCO")
The REMCO recommends and oversees the appointment and termination of Group Board Directors and succession planning for the Group Executive Committee members. This includes an assessment of the skills, knowledge and expertise needed to ensure they are positioned to discharge their responsibilities in the interests of the shareholders and the Group. The Committee also reviews and recommends to the Board, Group's reward policy framework, approves and oversees reward design and ensures it is appropriate and consistent with the Group's culture, values, business performance and risk strategy. The Committee meets at least twice a year or more frequently as deemed necessary.

Management Level Committees within the Group
There are ten management level committees. The major functions of the ten management committees are listed below:

Group Executive Committee ("EXCO")
The Group Executive Committee ("Group EXCO") is the Group's senior most management level committee and it operates under a delegated authority from the Board. It is responsible for identifying matters required or appropriate for escalation to the Group Board or Board Committees. The Group EXCO also supports the Group CEO to determine and implement the Group's strategy as approved by the Board.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

Risk management framework (continued)

Management Level Committees within the Group (continued)

Group Executive Committee ("EXCO") (continued)
The key responsibilities of the Committee include decisions on the Bank's strategy, annual budgets, capital management, risk management and Group's more material policies and procedures. The Group EXCO may delegate certain authorities and powers to management committees and individuals, but the Group EXCO reserves the authority to deal with strategy, annual budget and structure; financial reporting and controls; capital management; risk and internal control; contracts; corporate governance matters; executive remuneration and human resources policies, and group policies generally; general meeting of shareholders and communication and any other matters in its discretion.

Group Credit Committee ("GCC")
GCC assists in the development and implementation of the Group's credit, investment strategy and the related policies and procedures. The aim of GCC is to have an overall credit oversight of the Group and decide on credit policy and governance related matters.

Group Risk Committee ("GRC")
GRC assists Group-wide risk strategy and exposures to enable integrated risk management in an effective manner. The primary objective of GRC is to define, develop and periodically monitor the Group's risk appetite along with its related methodology, parameters, targets and tolerances taking into account the Group's strategy and business planning. GRC reports relevant matters to the EXCO and BRESGC as appropriate, advising and informing them on the Group's risk appetite and framework.

Group Compliance Committee ("Compliance committee")
Group Compliance Committee assists the Group EXCO and BAC in fulfilling its objective of overseeing the Bank's regulatory responsibilities as well as ensuring the Bank's compliance with the applicable laws and regulations issued by various regulatory authorities across the Group.

Group Asset & Liability Committee ("GALCO")
The G-ALCO is the driving force and key decision maker behind the structure and quality of the balance sheet. It is directly accountable to the BRESGC for ensuring that the risks within the Group's asset and liability position are prudently managed.

Human Resources Steering Committee ("HRSC")
HRSC assists the Group EXCO and the REMCO to implement strategic and operational HR initiatives to deliver the Group's long-term shareholder value. The Committee will be the formal sponsor of all material HR initiatives across the Group in line with the Group's Employee Value Proposition ("EVP").

Group Operational & Fraud Risk Committee ("GO&FRC")
GO&FRC assists the Group EXCO and the Board Risk and ESG Committee ("BRESGC") in fulfilling the Group's Operational and Fraud Risk Management related matters. The key responsibilities of this committee are to define guidelines to identify and manage Operational & Fraud risks in all new products, processes, and activities, defining scope, policy, objectives, assumptions, and roles / responsibilities of the Group's Operational & Fraud Risk Management Policies.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

Risk management framework (continued)

Management Level Committees within the Group (continued)

Group Technology Risk and Information Security Committee ("GTRISC")
GTRISC assists the Group EXCO and the BRESGC in overseeing, reviewing and taking decisions on the implementation of Group's security controls and business continuity framework to ensure that information assets of the Bank are adequately protected and to ensure prevention and recovery from potential natural / man-made threats. It also serves as an independent and objective governance forum which ensures the adequacy and effectiveness of the Group's information security framework.

Group ESG Committee ("G-ESGC")
G-ESGC assists the Group EXCO and BRESGC in all ESG related matters of the Group. The primary objective of the G-ESGC is to promote and oversee the ESG strategy, culture, and awareness across the Group.

Group Technology Steering Committee ("GTSC")
GTSC assists in fulfilling EXCO's governance and oversight responsibilities of all technology and information systems across the Group and supports the work of the BRESGC in its oversight of the Group IT governance framework. The GTSC ensures alignment of business strategies with technology priorities and acts to protect and enhance the shareholders' investment in technology.

Group Risk Management
The Group has a centralized Risk Management functions led by the GCRO. The Risk Management function comprises Enterprise Risk, ESG Risk, Credit Risk, Operational Risk, Fraud Risk and Investigations, Market and Liquidity Risk Management Unit, Sharia'h Risk, Model Risk, Information Security and Business Continuity Management unit and Corporate Governance function.

Enterprise Risk Management Policy Framework
The Group's Enterprise Risk Management Policy ("ERMP") framework aims to accomplish its core values and purpose of being a world class organization maximizing its risk adjusted returns for all stakeholders by establishing an enterprise wide risk management framework across the Group including local and international branches, subsidiaries, associates and foreign representative offices. The core objective of ERMP framework is to provide a reasonable degree of assurance to the Board that the risks threatening the Group's achievement of its core values and purpose are being identified, measured, monitored and controlled through an effective integrated risk management system. The ERMP framework consists of specific policy documents covering all material risks across the Group that include enterprise risk management policy, risk appetite policy, reputational risk management policy, strategic risk management policy, ESG related framework and policies, capital management policy, corporate governance related policies and framework, credit risk related policies, market and liquidity risk related policies, operational risk management policy, fraud risk policy, outsourcing risk policy, compliance risk related policies, information security risk related policies, business continuity management policy, internal capital adequacy assessment process policy, new products approval policy, model risk management policy and Sharia'h governance framework. In addition to these risk management policies, the Group has also put in place detailed operational policies, procedures and programs wherever needed.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

Risk management framework (continued)

Group Risk Management (continued)

Enterprise Risk Management Policy Framework (continued)

The Group manages risks using three lines of defence comprising of business units and enabling functions, control units and Internal Audit. Business units and enabling functions, as the first line of defence, identify and manage risk in their day-to-day activities by ensuring that activities are within the Group's risk appetite and follow all relevant internal policies and processes. Group Credit, Group Risk, Legal and Group Compliance, as the second line of defence, establishes risk controls comprising of policies and processes while also providing oversight and independent challenge to the first line of defence. The Group Chief Risk Officer ("GCRO") has a direct reporting line to the BRESGC to ensure the independence of Group Risk from Internal audit, as the third line of defence, provides assurance to management and the Board of the effectiveness of risk management practices employed by the first two lines of defence. The Group Chief Audit Officer has a direct reporting line to the Board Audit Committee.

As a part of the ERMP framework, the Group has established a formal risk appetite structure in the form of a top-down approach that incorporates requirements of various stakeholders, including shareholders, holders of its debt securities and regulators through a dialogue process between risk taking functions after a careful consideration of the risk-return trade-off.

Risk monitoring and control is primarily based on limits established by the Group's executive management. These limits reflect the Group's business strategy and the market environment in which it operates as well as the risk appetite of the Group. Information from all parts of the Group is collected, examined and processed in order to identify, analyse and control risks. This information is presented to the BRESGC and the Group Risk Committee on a quarterly basis. The information covers enterprise-wide risks and is designed to enable the Board and executive management to receive all necessary information so as to independently assess the possible impact of these risks on the Group's businesses. The Group uses a range of measures to mitigate and control risks including the use of credit risk mitigation techniques (collaterals, guarantees, netting, etc.) to reduce exposure to credit risk and the use of derivative instruments to hedge exposure to certain interest and currency exchange rate risks. The risk profile of all major transactions is assessed and authorised by appropriate management representatives before the transactions are concluded and the effectiveness of all risk mitigation measures is closely monitored by the risk management unit.

(a) Credit risk

Credit risk is the risk that the customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the financial assets such as loans, advances and Islamic financing, due from banks and financial institutions, reverse repurchase agreements and non-trading debt investments, derivative financial instruments and certain other assets.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Management of credit risk

Credit risk identification and assessment at the Group is carried out through a comprehensive mechanism comprising three levels of defense. The first level of defense lies with the business units and is responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. The second level of defense is with the Group Credit Unit that assesses the risk at the customer and facility level, ensures proper documentation of customer, facility and security documents along with Group Risk management unit that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date. Internal Audit acts as a third level of defense with regular reviews of credit analysis and the risk functions to check the compliance with policies and procedures of the Group. The unit also reviews the policy documents on a regular basis.

As part of credit risk monitoring and control framework, regular risk monitoring at both customer and portfolio levels is carried out along several parameters which include credit quality, provisioning levels, exposure limits across several dimensions, financial and operating performance, account conduct, end use of funds, adequacy of credit risk mitigants, adherence to financial and non-financial covenants, recovery performance, rating system performance among others.

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments without considering collateral or other credit enhancement. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

As of 31 December 2023	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired[4]		Total	
	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000
Balances with central banks	230,597,350	46,329	1,037,306	118,065	-	-	-	-	231,634,656	164,394
Due from banks and financial institutions	23,610,061	17,077	1,714,026	40,640	-	-	-	-	25,324,087	57,717
Reverse repurchase agreements	78,590,879	87,016	-	-	-	-	-	-	78,590,879	87,016
Loans, advances and Islamic financing[1]	464,786,263	1,626,769	12,938,125	1,918,653	22,924,288	9,422,849	3,992,464	532,818	504,641,140	13,501,089
Non trading investment securities										
Amortised cost	4,375,427	1,329	-	-	-	-	-	-	4,375,427	1,329
FVOCI Debt[2]	170,586,561	131,957	129,294	8,137	-	-	-	-	170,715,855	140,094
Other assets[3]	18,662,500	298,582	10,579	167	10,531	1,645	-	-	18,683,610	300,394
Unfunded exposure	237,130,443	362,250	4,313,296	163,493	1,663,900	498,425	4,769	3,300	243,112,408	1,027,468
	1,228,339,484	**2,571,309**	**20,142,626**	**2,249,155**	**24,598,719**	**9,922,919**	**3,997,233**	**536,118**	**1,277,078,062**	**15,279,501**

[1]The exposure represents gross loans, advances and Islamic financing.
[2]The provision against financial instruments classified as FVOCI is netted off against the fair value reserve.
[3]On certain assets included as part of other assets, ECL is computed based on simplified approach.
[4]The Group, from an internal credit quality point of view, considers AED 3,885 million as par to non-performing loans, advances and Islamic financing.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

As of 31 December 2022	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired[4]		Total	
	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000	Exposure AED'000	Provision AED'000
Balances with central banks	225,702,432	62,314	1,030,231	118,066	-	-	-	-	226,732,663	180,380
Due from banks and financial institutions	23,985,995	26,607	968,818	41,250	-	-	-	-	24,954,813	67,857
Reverse repurchase agreements	69,128,050	21,958	-	-	-	-	-	-	69,128,050	21,958
Loans, advances and Islamic financing[1]	441,557,544	1,467,682	13,261,515	2,577,553	20,898,190	9,088,489	4,007,217	746,263	479,724,466	13,879,987
Non trading investment securities										
Amortised cost	4,688,298	659	-	-	-	-	-	-	4,688,298	659
FVOCI Debt[2]	166,550,713	102,509	40,578	3,936	-	-	-	-	166,591,291	106,445
Other assets[3]	15,899,857	406,525	5,338	330	668	427	-	-	15,905,863	407,282
Unfunded exposure	225,880,558	206,377	4,698,776	246,468	1,340,630	495,462	10,949	9,205	231,930,913	957,512
	1,173,393,447	**2,294,631**	**20,005,256**	**2,987,603**	**22,239,488**	**9,584,378**	**4,018,166**	**755,468**	**1,219,656,357**	**15,622,080**

[1]The exposure represents gross loans, advances and Islamic financing.
[2]The provision against financial instruments classified as FVOCI is netted off against the fair value reserve.
[3]On certain assets included as part of other assets, ECL is computed based on simplified approach.
[4]The Group, from an internal credit quality point of view, considers AED 3,870 million as par to non-performing loans, advances and Islamic financing.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)
The movement of gross exposure is as follows:

Loans, advances and Islamic financing	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Balance as at 1 January 2023	**441,557,544**	**13,261,515**	**20,898,190**	**4,007,217**	**479,724,466**
Transfers:					
Transfer from Stage 1 to Stage 2	(4,920,593)	4,920,593	-	-	-
Transfer from Stage 1 to Stage 3	(2,939,764)	-	2,939,764	-	-
Transfer from Stage 2 to Stage 1	2,077,788	(2,077,788)		-	-
Transfer from Stage 2 to Stage 3	-	(3,333,754)	3,333,754	-	-
Transfer from Stage 3 to Stage 2	-	803,872	(803,872)	-	-
Transfer from Stage 3 to Stage 1	343,820	-	(343,820)	-	-
	(5,438,749)	**312,923**	**5,125,826**	**-**	**-**
Net non-stage movements	28,721,617	(597,203)	314,976	72,756	28,512,146
Net amounts written-off	**(54,149)**	**(39,110)**	**(3,414,704)**	**(87,509)**	**(3,595,472)**
Balance as at 31 December 2023	**464,786,263**	**12,938,125**	**22,924,288**	**3,992,464**	**504,641,140**
Unfunded exposure					
Balance as at 1 January 2023	225,880,558	4,698,776	1,340,630	10,949	231,930,913
Transfers:					
Transfer from Stage 1 to Stage 2	(2,498,137)	2,498,137	-	-	-
Transfer from Stage 1 to Stage 3	(289,335)	-	289,335	-	-
Transfer from Stage 2 to Stage 1	1,272,562	(1,272,562)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,256,121)	1,256,121	-	-
Transfer from Stage 3 to Stage 2	-	5,311	(5,311)	-	-
Transfer from Stage 3 to Stage 1	50	-	(50)	-	-
	(1,514,860)	**(25,235)**	**1,540,095**	**-**	**-**
Net non-stage movements	12,764,745	(360,245)	(1,216,825)	(6,180)	11,181,495
Balance as at 31 December 2023	**237,130,443**	**4,313,296**	**1,663,900**	**4,769**	**243,112,408**

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)
The movement of gross exposure is as follows:

Loans, advances and Islamic financing	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Balance as at 1 January 2022	388,015,124	18,324,871	16,807,188	5,692,979	428,840,162
Transfers:					
Transfer from Stage 1 to Stage 2	(3,464,539)	3,464,539	-	-	-
Transfer from Stage 1 to Stage 3	(1,354,932)	-	1,354,932	-	-
Transfer from Stage 2 to Stage 1	2,075,805	(2,075,805)	-	-	-
Transfer from Stage 2 to Stage 3	-	(5,213,887)	5,213,887	-	-
Transfer from Stage 3 to Stage 2	-	611,917	(611,917)	-	-
Transfer from Stage 3 to Stage 1	282,362	-	(282,362)	-	-
	(2,461,304)	**(3,213,236)**	**5,674,540**	**-**	**-**
Net non-stage movements	56,038,576	(1,823,426)	822,758	(1,509,131)	53,528,777
Net amounts written-off	(34,852)	(26,694)	(2,406,296)	(176,631)	(2,644,473)
Balance as at 31 December 2022	**441,557,544**	**13,261,515**	**20,898,190**	**4,007,217**	**479,724,466**
Unfunded exposure					
Balance as at 1 January 2022	210,751,733	4,687,188	1,188,949	15,724	216,643,594
Transfers:					
Transfer from Stage 1 to Stage 2	(1,285,235)	1,285,235	-	-	-
Transfer from Stage 1 to Stage 3	(89,763)	-	89,763	-	-
Transfer from Stage 2 to Stage 1	189,652	(189,652)	-	-	-
Transfer from Stage 2 to Stage 3	-	(302,849)	302,849	-	-
Transfer from Stage 3 to Stage 2	-	3,291	(3,291)	-	-
	(1,185,346)	**796,025**	**389,321**	**-**	**-**
Net non-stage movements	16,314,171	(784,437)	(237,640)	(4,775)	15,287,319
Balance as at 31 December 2022	**225,880,558**	**4,698,776**	**1,340,630**	**10,949**	**231,930,913**

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Credit quality analysis (continued)

The external ratings for trading securities and non trading investment securities are disclosed below:

	Non trading investment securities		Investments at fair value through profit or loss	
	31 Dec 2023 AED'000	31 Dec 2022 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000
AAA	26,603,942	48,671,797	694,307	367
AA to A	117,559,014	85,179,548	24,034,798	15,221,548
BBB to B	28,885,291	34,775,195	14,783,335	12,648,673
CCC and below	657,718	145,062	14	39
Unrated	5,938,638	3,578,875	5,696,339	3,946,170
	179,644,603	**172,350,477**	**45,208,793**	**31,816,797**
Less: expected credit loss	(1,329)	(659)	-	-
	179,643,274	**172,349,818**	**45,208,793**	**31,816,797**

Unrated investments primarily consist of investments in private equities and investments in equities which don't carry credit risk. Investments at fair value through profit or loss are neither past due nor impaired.

Collateral held and other credit enhancements

The Group has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance. The types of Credit Risk Mitigation ("CRM") include netting agreements, collaterals, guarantees, credit derivatives and standby Letters of Credits ("SBLC"). The Group ensures that all documentation used in collateralized transactions and for documenting on and off-balance sheet netting, guarantees, credit derivatives and collateral is binding on all parties and is legally enforceable in all relevant jurisdictions. The Group also ensures that all the documents are reviewed by the appropriate authority and have appropriate legal opinions to verify and ensure its enforceability.

The Group holds collateral and other credit enhancements against certain of its credit exposures. An estimate of the collateral coverage (after the application of haircuts) against net credit-impaired loans, advances and Islamic financing is shown below:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Collateral value cover		
0 – 50%	12,969,664	12,372,115
51 – 100%	5,031,317	4,457,912
Above 100%	1,622,194	1,686,910
Net credit impaired loans, advances and Islamic financing	**19,623,175**	**18,516,937**

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operations.

While the Group might not have repossessed significant amount of collateral in 2023 and 2022, maintaining repossession rights assist the Group in the restructuring and settlement of credit-impaired loans, advances and Islamic financing.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Derivatives, reverse sale-and-repurchase agreements and securities borrowing

The Group mitigates the credit risk of derivatives, reverse sale-and-repurchase agreements and securities lending by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivative transactions are transacted on exchanges, with central clearing counterparties ("CCPs") or entered into under International Swaps and Derivatives Association (ISDA) master agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed as per the jurisdiction netting rules and the amount (due or payable) in settlement with the counterparty. The Group usually executes a credit support annex in conjunction with the ISDA agreement, which requires the Group and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs.

The Group's sale-and-repurchase, and reverse sale-and-repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

Loans, advances and Islamic financing to customers

The general credit worthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loans, advances and Islamic financing extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Group's focus on corporate customers' creditworthiness, valuation of property collateral is conducted once in two years and more frequently for credit-impaired assets.

Off-balance sheet

The Group applies the same risk management policies for off- balance sheet risks as it does for its on- balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans, advances and Islamic financing. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Refer accounting policy note 6(a)(vii).

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Significant increase in credit risk

The Bank assesses whether there has been a significant increase in credit risk since recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

For non-consumer exposure, objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- Probability of default at origination adjusted for the loan maturity; and
- Probability of default at current reporting date adjusted for the remaining life of the loan

Similarly, for consumer portfolio, the current and historical performance of the account is used estimate whether a significant increase in credit risk has occurred.

A borrower that is more than 30 days past due on its contractual obligations is presumed to have a significantly increased credit risk as a backstop unless this presumption can be reasonably rebutted based on supportable forward-looking information.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. These assessments usually reflect in placement of such exposures under certain categories, for example watch list. In these cases, PD gets calculated on lifetime basis.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured based on 12-month PD. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. The Group is also complying with all probation period requirements in relevant jurisdictions stipulated by local central banks.

In addition to the quantitative test based on movement of PD, the Group also applies expert credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Credit risk rating

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

Credit risk ratings are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates down the curve.

Each exposure is allocated to a credit risk rating on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk rating.

For consumer exposure, credit risk assessment is performed through credit risk scoring of borrower's characteristics and past payment behaviour. These scoring factors vary depending on the nature of the exposure and product. Credit risk scores are defined and calibrated such that the risk of default increases exponentially as credit worthiness deteriorates.

Definition of default

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

- For non-consumer segment, a default shall be considered to have occurred with regard to a particular obligor when the Group considers that the obligor is unlikely to pay its credit obligations to itself in full, without recourse by it to actions such as realizing security (if held). The Group uses internal credit risk grading that reflects its assessment of the probability of default for non-consumer segment.

  Some off-balance sheet exposures such as bank guarantees, letters of credit etc. should be treated as impaired if the Group believes it is likely they will be called upon and the customer will not be able to meet these commitments. Where the off-balance sheet exposure is in the form of a Global Market contracts and there is doubt that all contractual future cash flows will be received from the counterparty, the Group should assess the net marked to market exposure to the counterparty taking into account any enforceable netting arrangements in place. The net position (if due from) thus arrived will be considered impaired.

- For consumer, a facility or any material credit obligation to the Group is more than 90 days past due.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes (note 51(e)).

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL (continued)

Incorporation of forward-looking information

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

The Group formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring. These scenarios are consistent for 2023 and 2022. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund and selected private-sector and academic forecasters.

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

The Group has performed a sensitivity analysis on how ECL on the credit portfolio will change if the scenario weights used in the IFRS 9 model were changed. From a sensitivity analysis point of view, if the downturn scenario was changed by +10%/-10%, ECL would have changed by +0.5%/-0.5% respectively. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

The economic scenarios used as at 31 December 2023 included the following key indicators for the years ending 31 December 2024 to 2028.

Region	Macro Variable[1,2]	Scenario	2024	2025	2026	2027	2028
MENA	Oil Price	Base	-4.16%	-14.55%	-2.04%	1.39%	2.41%
		Upside	-1.47%	-16.79%	-2.14%	1.39%	2.41%
		Downside	-30.99%	0.43%	12.25%	1.36%	3.15%
	UAE GDP	Base	3.46%	2.89%	1.82%	1.53%	1.96%
		Upside	6.22%	3.47%	1.82%	1.53%	1.96%
		Downside	-2.70%	0.80%	3.68%	2.80%	2.07%
	UAE Housing Price Index	Base	2.19%	2.31%	-0.35%	-1.15%	-0.57%
		Upside	5.63%	3.56%	-0.95%	-1.72%	-0.72%
		Downside	-5.07%	-0.27%	0.52%	0.09%	0.29%
	Egypt GDP	Base	5.35%	5.55%	4.86%	4.85%	4.84%
		Upside	7.95%	5.61%	4.86%	4.85%	4.84%
		Downside	0.22%	5.62%	5.77%	5.58%	5.33%
	Egypt Equity Index	Base	6.58%	4.65%	5.37%	3.89%	2.60%
		Upside	20.75%	1.56%	3.41%	1.02%	2.14%
		Downside	-34.95%	28.93%	20.99%	9.36%	4.63%
UK	UK GDP	Base	0.26%	0.83%	1.22%	1.35%	1.61%
		Upside	3.76%	1.07%	1.18%	1.38%	1.82%
		Downside	-5.80%	1.18%	2.56%	1.36%	1.52%
	UK Equity Index	Base	1.92%	3.76%	7.46%	4.44%	3.54%
		Upside	12.26%	1.07%	4.65%	2.63%	3.84%
		Downside	-17.88%	12.80%	13.95%	6.34%	2.81%

(1) Represents the average annualized increase / decrease over the period.

(2) There are additional macro variables factors used for other regions which are relevant to their market.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note 6(a)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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

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

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both consumer and non-consumer loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (note 6(a)(vii)). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made material concessions that it would not otherwise consider. Once a loan is restructured, it remains in this category for a minimum period of twelve months, in order to establish satisfactory track record of performance under the restructuring agreement. The Group determines the twelve-month period to commence from the date of signing of the agreement for restructuring. As at the reporting date, the Group has renegotiated the following exposures:

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Loans with renegotiated terms		
Gross carrying amount	10,300,822	10,644,491
Impaired amount	5,123,452	5,818,785
Allowance for impairment	3,357,261	3,007,972

The impact of modification loss on the Group's consolidated financial statements is not material.

Measurement of ECL

The key inputs into the measurement of ECL (note 6 a(vii):

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

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 loans.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical models tailored to the various categories of counterparties and exposures. These statistical models are based on internal data comprising both quantitative and qualitative factors and market data (where available). PDs are estimated considering the contractual maturities of exposures and estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD term structure based on current collateral, counterparty industry, country of risk and recovery costs that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios incorporating the impact of change in macro economic parameters.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Amounts arising from ECL

EAD represents the expected exposure at the time of default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contractual obligations. For undrawn commitments and unfunded facilities such as letter of credit and letter of guarantees, EAD represents the amount of exposure when the facility becomes payable and the funded conversion is based on factors provided by Basel.

However, for credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over the period it is exposed to credit risk and EAD is computed using internal model. Though the Group can cancel the limits with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level.

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

- instrument type;
- historical performance;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in the Group's accounting policy; refer note 6(a)(vii).

	Stage 1[1] AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Balance as at 1 January 2023	**2,294,631**	**2,987,603**	**9,584,378**	**755,468**	**15,622,080**
Transfers:					
Transfer from Stage 1 to Stage 2	(41,091)	41,091	-	-	-
Transfer from Stage 1 to Stage 3	(40,671)	-	40,671	-	-
Transfer from Stage 2 to Stage 1	109,284	(109,284)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,278,494)	1,278,494	-	-
Transfer from Stage 3 to Stage 2	-	172,695	(172,695)	-	-
Transfer from Stage 3 to Stage 1	57,501	-	(57,501)	-	-
	85,023	**(1,173,992)**	**1,088,969**	**-**	**-**
Impact of change in provision	270,416	557,650	2,575,833	(87,288)	3,316,611
Write-offs and other adjustments	(78,761)	(122,106)	(3,326,261)	(132,062)	(3,659,190)
Balance as at 31 December 2023	**2,571,309**	**2,249,155**	**9,922,919**	**536,118**	**15,279,501**

[1]On certain assets included as part of other assets, ECL is computed based on simplified approach.

	Stage 1[1] AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Balance as at 1 January 2022	**2,387,282**	**3,912,101**	**7,953,179**	**1,038,891**	**15,291,453**
Transfers:					
Transfer from Stage 1 to Stage 2	(55,302)	55,302	-	-	-
Transfer from Stage 1 to Stage 3	(65,455)	-	65,455	-	-
Transfer from Stage 2 to Stage 1	151,013	(151,013)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,508,638)	1,508,638	-	-
Transfer from Stage 3 to Stage 2	-	106,377	(106,377)	-	-
Transfer from Stage 3 to Stage 1	61,618	-	(61,618)	-	-
	91,874	**(1,497,972)**	**1,406,098**	**-**	**-**
Impact of change in provision	(244,121)	664,764	2,498,585	(21,685)	2,897,543
Write-offs and other adjustments	59,596	(91,290)	(2,273,484)	(261,738)	(2,566,916)
Balance as at 31 December 2022	**2,294,631**	**2,987,603**	**9,584,378**	**755,468**	**15,622,080**

[1]On certain assets included as part of other assets, ECL is computed based on simplified approach.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

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

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Note	Gross maximum exposure 31 Dec 2023 AED'000	Gross maximum exposure 31 Dec 2022 AED'000
Balances with Central Bank	8	231,634,656	226,732,663
Investments at fair value through profit or loss	9	40,496,350	27,954,342
Due from banks and financial institutions	10	25,324,087	24,954,813
Reverse repurchase agreements	11	78,590,879	69,128,050
Loans, advances and Islamic financing	12	504,641,140	479,724,466
Non trading investment securities	13,52	175,091,282	171,279,589
Other assets excluding prepayments		40,067,774	30,216,153
Total		**1,095,846,168**	**1,029,990,076**
Derivatives held for trading	44	40,151,122	51,162,442
Derivatives held for hedging	44	6,269,564	7,711,401
Total		**46,420,686**	**58,873,843**
Contingent liabilities	43	165,268,955	154,595,004
Commitment	43	77,843,453	77,335,909
Total		**243,112,408**	**231,930,913**
Total credit risk exposure		**1,385,379,262**	**1,320,794,832**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

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

51 Financial risk management (continued)

(a) Credit risk (continued)
The Group monitors concentrations of credit risk by industry sector, counterparty and geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Concentrations by industry sector

	Loans, advances and Islamic financing		Investments		Reverse repurchase agreements		Undrawn loan Commitments	
	31 Dec 2023 AED'000	31 Dec 2022 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Agriculture	3,562,139	2,679,359	-	-	-	-	116,361	153,426
Energy	36,217,487	32,056,358	4,408,791	5,903,063	-	-	17,261,588	17,986,173
Manufacturing	26,399,122	22,808,173	1,096,337	899,410	-	-	4,208,170	3,961,004
Construction	10,763,916	11,332,923	839,498	995,513	-	-	742,725	838,086
Real estate	85,806,459	89,696,672	1,215,052	1,335,067	-	-	5,417,963	7,211,121
Trading	22,177,179	25,606,349	89,408	117,764	-	-	2,964,725	4,677,329
Transport and communication	37,884,844	42,895,098	3,856,756	4,518,113	-	-	14,399,425	17,876,434
Banks	12,607,202	7,920,375	28,316,927	28,947,199	60,943,330	55,656,317	-	-
Other financial institutions	83,956,221	77,283,322	20,492,739	14,352,089	9,926,987	10,345,007	17,727,042	15,756,617
Services	42,469,885	34,709,356	4,197,750	149,416	-	-	9,465,092	4,873,501
Government	61,310,050	55,910,901	160,340,138	146,949,640	7,720,562	3,126,726	5,506,489	3,976,650
Personal loans and credit cards	50,439,551	49,891,748	-	-	-	-	33,873	25,568
Personal - retail mortgage	31,047,085	26,933,832	-	-	-	-	-	-
	504,641,140	479,724,466	224,853,396	204,167,274	78,590,879	69,128,050	77,843,453	77,335,909

The above numbers are presented on a gross basis and are not adjusted for provisions or interest in suspense if any.

Included within investments are equity instruments where the credit risk is not applicable.

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

51 Financial risk management (continued)

(a) Credit risk (continued)
Concentration by location

	UAE AED'000	Europe AED'000	Arab countries AED'000	Americas AED'000	Asia AED'000	Others AED'000	Total AED'000
As at 31 December 2023							
Cash and balances with central banks	63,849,453	342,631	20,992,209	148,208,562	161,824	-	233,554,679
Investments at fair value through profit or loss	20,021,703	2,058,114	15,086,537	3,104,039	4,931,028	7,372	45,208,793
Due from banks and financial institutions	890,632	15,079,462	6,146,918	364,217	2,563,885	278,973	25,324,087
Reverse repurchase agreements	8,319,542	23,734,813	39,103,370	-	2,699,871	4,733,283	78,590,879
Derivative financial instruments	1,558,324	42,188,276	1,368,626	51,163	1,192,914	61,383	46,420,686
Loans, advances and Islamic financing	364,816,990	39,278,305	50,525,813	26,994,236	16,291,302	6,734,494	504,641,140
Non trading investment securities	32,258,042	38,084,483	28,439,216	41,745,072	37,472,674	1,645,116	179,644,603
Investment in associates	1,500,904	-	-	-	-	-	1,500,904
	493,215,590	160,766,084	161,662,689	220,467,289	65,313,498	13,460,621	1,114,885,771
As at 31 December 2022							
Cash and balances with central banks	30,079,524	1,378,373	14,482,802	182,469,183	139,327	-	228,549,209
Investments at fair value through profit or loss	13,216,587	1,806,724	12,865,134	1,629,911	2,282,333	16,108	31,816,797
Due from banks and financial institutions	1,054,462	12,870,427	6,475,368	650,202	3,743,931	160,423	24,954,813
Reverse repurchase agreements	5,555,751	25,845,595	29,534,900	23,244	5,582,610	2,585,950	69,128,050
Derivative financial instruments	3,310,700	52,620,274	1,477,805	76,299	1,286,409	102,356	58,873,843
Loans, advances and Islamic financing	351,085,949	36,274,357	45,418,453	25,819,384	16,593,039	4,533,284	479,724,466
Non trading investment securities	36,638,427	25,361,564	30,823,478	33,911,226	43,877,003	1,738,779	172,350,477
Investment in associates	1,559,303	-	-	-	-	-	1,559,303
	442,500,703	156,157,314	141,077,940	244,579,449	73,504,652	9,136,900	1,066,956,958

Concentration by location for investments is measured based on the location of the issuer of the security. Concentration by location for all others is measured based on the residential status of the borrower. The above numbers are presented on a gross basis and are not adjusted for provisions or interest in suspense if any. Concentration by location for undrawn commitments is stated in note 43 of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(a) Credit risk (continued)

Classification of investments as per their counterparties:

	Non trading investment securities		Investments at fair value through profit or loss	
	31 Dec 2023 AED'000	31 Dec 2022 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Government sector	122,785,913	119,907,304	36,556,938	25,726,513
Supranational	995,368	536,497	1,919	779,326
Public sector	13,494,209	15,529,732	678,064	786,919
Banking sector	26,685,161	27,916,727	1,631,766	1,030,472
Corporate / private sector	15,683,952	8,460,217	6,340,106	3,493,567
	179,644,603	**172,350,477**	**45,208,793**	**31,816,797**
Less: allowance for impairment (expected credit loss) on amortised cost securities	(1,329)	(659)	-	-
	179,643,274	**172,349,818**	**45,208,793**	**31,816,797**

Settlement risk

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

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it will cost to replace transactions at prevailing market rates if a counterparty defaults. The majority of the Group's derivative contracts are entered into with other banks and financial institutions.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Group is unable to meet its financial obligations as and when they fall due or that it can only do so at an excessive cost.

Liquidity risk arises from cash flows generated by assets and liabilities, including derivatives and other off-balance sheet commitments, not being matched in currency, size, and term. The Group ensures that all liabilities can be met as they fall due under both businesses as usual and stress conditions without incurring undue cost.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(b) Liquidity risk (continued)

Management of liquidity risk

The Group has defined the liquidity risk appetite at a level so as to ensure that the Group has a controlled liquidity risk position with adequate cash or cash-equivalents to be able to meet its financial obligations, in all foreseeable circumstances and without incurring substantial additional costs, for a rolling period of three months. The risk appetite is supported by a comprehensive risk management framework that includes Group ALCO approved limits for key funding and liquidity metrics, stress testing and a contingency funding plan.

The liquidity risk appetite is also defined at a level to ensure continued compliance with current and proposed liquidity regulation from both domestic and international regulators and aligned to support the Group's external credit rating objectives.

One of the critical means to measure adequacy of liquidity as per extant global regulation is through Liquidity Coverage Ratio ("LCR"). The Group has been complying with UAE regulation on Basel III LCR and has been reporting the same for a considerable period of time. Accordingly, the Group has invested heavily in ensuring systems and controls framework is in place to comply with all the qualitative and quantitative aspects of Basel III. The Group also continues to measure and report Eligible Liquid Assets ratio (ELAR) in line with CBUAE stipulation on banking returns.

Liquidity limits are defined at the Group level and are cascaded down throughout the organisation to ensure that the Group complies with the defined Group Liquidity Risk appetite. Similarly International limits are cascaded to ensure compliance with any additional local regulatory requirements on liquidity management. All liquidity policies and procedures are subject to review and approval by G-ALCO.

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

51 Financial risk management (continued)

(b) Liquidity risk (continued)

Exposure to liquidity risk
The contractual asset and liability maturity mismatch report without considering the Group's retention history is detailed below.

The maturity profile of the assets and liabilities as at 31 December 2023.

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Unspecified maturity AED'000
Assets							
Cash and balances with central banks	233,390,285	233,390,285	-	-	-	-	-
Investments at fair value through profit or loss	45,208,793	15,258,140	21,009,901	3,194,189	457,216	576,904	4,712,443
Due from banks and financial institutions	25,266,370	25,266,370	-	-	-	-	-
Reverse repurchase agreements	78,503,863	25,666,137	33,158,369	16,513,208	3,166,149	-	-
Derivative financial instruments[1]	46,420,686	2,694,633	3,454,947	9,572,738	8,166,370	22,531,998	-
Loans, advances and Islamic financing	483,953,520	59,050,079	76,374,840	116,860,110	81,269,669	135,099,984	15,298,838
Non trading investment securities	179,643,274	36,965,724	20,982,003	33,274,557	30,904,220	52,963,449	4,553,321
Other assets	41,332,686	30,999,514	10,333,172	-	-	-	-
Investment in associates	1,500,904	-	-	-	-	-	1,500,904
Investment properties	8,161,737	-	-	-	-	-	8,161,737
Property and equipment	5,114,876	-	-	-	-	-	5,114,876
Intangibles	20,135,567	-	-	-	-	-	20,135,567
	1,168,632,561	**429,290,882**	**165,313,232**	**179,414,802**	**123,963,624**	**211,172,335**	**59,477,686**
Liabilities and equity							
Due to banks and financial institutions	71,527,631	63,503,395	4,351,236	3,673,000	-	-	-
Repurchase agreements	26,096,108	12,936,286	6,268,611	6,891,211	-	-	-
Commercial Paper	19,658,769	13,826,494	5,832,275	-	-	-	-
Derivative financial instruments[1]	51,002,064	3,502,120	2,891,043	9,699,450	7,861,517	27,047,934	-
Customer accounts and other deposits	759,862,632	625,503,252	127,953,376	5,462,468	720,816	222,720	-
Other liabilities	46,931,908	35,198,931	11,732,977	-	-	-	-
Term borrowings	63,938,927	4,835,775	7,459,653	24,436,102	16,170,076	11,037,321	-
Subordinated notes	4,191,417	-	-	-	4,191,417	-	-
Equity	125,423,105	-	-	-	-	-	125,423,105
	1,168,632,561	**759,306,253**	**166,489,171**	**50,162,231**	**28,943,826**	**38,307,975**	**125,423,105**
Undrawn commitments to extend credit	77,843,453	6,979,356	66,879,118	1,696,995	2,119,364	168,620	-
Trade contingencies	165,268,955	83,806,783	12,873,717	23,337,762	26,360,976	18,889,717	-

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

51 Financial risk management (continued)

(b) Liquidity risk (continued)

Exposure to liquidity risk (continued)
The maturity profile of the assets and liabilities as at 31 December 2022:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Unspecified maturity AED'000
Cash and balances with central banks	228,368,829	228,368,829	-	-	-	-	-
Investments at fair value through profit or loss	31,816,797	16,644,294	9,405,184	829,273	680,340	395,251	3,862,455
Due from banks and financial institutions	24,886,956	24,886,956	-	-	-	-	-
Reverse repurchase agreements	69,106,092	28,904,283	25,635,985	9,056,324	5,509,500	-	-
Derivative financial instruments[1]	58,873,843	3,057,711	4,368,204	12,222,893	12,039,210	27,185,825	-
Loans, advances and Islamic financing	459,593,327	67,208,857	57,307,559	116,723,716	91,926,009	126,427,186	
Non trading investments securities	172,349,818	36,480,423	21,502,193	35,702,399	36,448,860	41,145,055	1,070,888
Other assets	30,205,655	22,654,241	7,551,414	-	-	-	-
Investment in associates	1,559,303	-	-	-	-	-	1,559,303
Investment properties	7,168,089	-	-	-	-	-	7,168,089
Property and equipment	5,795,207	-	-	-	-	-	5,795,207
Intangibles	20,332,179	-	-	-	-	-	20,332,179
	1,110,056,095	**428,205,594**	**125,770,539**	**174,534,605**	**146,603,919**	**195,153,317**	**39,788,121**
Liabilities and equity							
Due to banks and financial institutions	61,560,340	54,854,969	3,032,371	3,673,000	-	-	-
Repurchase agreements	39,004,515	14,164,027	8,516,896	16,323,592	-	-	-
Commercial Paper	31,738,356	30,961,721	776,635	-	-	-	-
Derivative financial instruments[1]	62,024,540	3,940,128	4,687,064	11,824,864	11,681,781	29,890,703	-
Customer accounts and other deposits	700,573,371	531,533,489	157,829,862	5,118,485	710,687	5,380,848	-
Other liabilities	37,048,977	27,786,733	9,262,244	-	-	-	-
Term borrowings	62,635,133	7,588,148	3,486,363	23,812,000	20,435,359	7,313,263	-
Subordinated notes	420,620	-	-	-	420,620	-	-
Equity	115,050,243	-	-	-	-	-	115,050,243
	1,110,056,095	**670,829,215**	**187,591,435**	**60,751,941**	**33,248,447**	**42,584,814**	**115,050,243**
Undrawn commitments to extend credit	77,335,909	39,560,238	36,581,724	871,410	407	322,130	-
Trade contingencies	154,595,004	80,159,980	20,528,575	16,879,437	23,064,804	13,962,208	-

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

51 Financial risk management (continued)

(b) Liquidity risk (continued)

Exposure to liquidity risk (continued)
The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	Total	Gross nominal cash flows	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
As at 31 December 2023							
Due to banks and financial institutions	71,527,631	72,310,770	63,881,999	4,680,024	3,748,747	-	-
Repurchase agreements	26,096,108	27,615,185	13,005,879	6,591,361	8,017,945	-	-
Commercial Paper	19,658,769	22,242,927	14,126,001	8,116,926	-	-	-
Customer accounts and other deposits	759,862,632	783,338,737	642,681,856	133,342,459	6,141,019	857,117	316,286
Term borrowings[1]	63,938,927	92,132,975	5,881,921	9,546,418	29,220,604	18,493,945	28,990,087
Subordinated notes	4,191,417	6,488,673	-	251,118	502,236	882,873	4,852,446
	945,275,484	**1,004,129,267**	**739,577,656**	**162,528,306**	**47,630,551**	**20,233,935**	**34,158,819**
Undrawn commitments to extend credit[2]	77,843,453	77,843,453	6,979,356	66,879,118	1,696,995	2,119,364	168,620
Trade contingencies	165,268,955	165,268,955	83,806,783	12,873,717	23,337,762	26,360,976	18,889,717
As at 31 December 2022							
Due to banks and financial institutions	61,560,340	62,348,623	55,146,704	3,267,480	3,934,439	-	-
Repurchase agreements	39,004,515	41,084,160	14,230,036	8,824,918	18,029,206	-	-
Commercial Paper	31,738,356	31,867,385	31,075,899	791,486	-	-	-
Customer accounts and other deposits	700,573,371	711,563,649	536,176,208	163,390,447	5,805,192	766,679	5,425,123
Term borrowings[1]	62,635,133	87,013,220	8,495,932	5,328,795	29,373,376	23,470,465	20,344,652
Subordinated notes	420,620	515,821	-	19,749	39,607	456,465	-
	895,932,335	**934,392,858**	**645,124,779**	**181,622,875**	**57,181,820**	**24,693,609**	**25,769,775**
Undrawn commitments to extend credit[2]	77,335,909	77,335,909	39,560,238	36,581,724	871,410	407	322,130
Trade contingencies	154,595,004	154,595,004	80,159,980	20,528,575	16,879,437	23,064,804	13,962,208

[1]Includes borrowings with callable feature for which the undiscounted contractual cash flows based on final contractual maturity are presented above without consideration of the call option.
[2]Calculated as per the contractual maturity profile.

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

51 Financial risk management (continued)

(c) Market risk
Market risk is the risk that the Group's income or capital will fluctuate on account of changes in the value of a financial instrument because of movements in market factors such as interest rates, credit spreads, foreign exchange rates and market prices of equity and commodity.

Management of market risk
The Group separates its exposure to market risk between trading, investment and non-trading portfolios. Trading and investment portfolios are managed on a fair value basis.

Investment Management Committee ("IMCO") is responsible for oversight and guidance to Global Markets' trading and investment activities. It ensures effective management of market risks in accordance with the principles laid down in the market risk management policy. IMCO acts as a sub-committee of Group Asset and Liabilities ("G-ALCO") which has the overall authority and responsibility to manage market risks.

Market Risk Group is responsible for the development and implementation of detailed market risk appetite, risk management methodologies and policies including the control framework that is reviewed by IMCO and submitted to G-ALCO and BRESGC for approval.

Exposure to market risks – trading portfolios
The principal analytical tool used to measure and control market risk exposure within the Group's trading portfolios which comprise of investments at fair value through profit or loss and trading derivatives is Value at Risk ("VaR"). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model uses historical simulation based on a 99% confidence level and assumes a 1-day holding period. Using market data from the previous twelve months, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. The historical market rates and prices cover the risk factors associated with the following asset classes: foreign exchange, interest rates, credit, commodities and public equity.

The Group has established VaR limits covering all trading desks. The overall structure of Trading VaR limits is subject to review and approval by the IMCO and then ratified at G-ALCO. VaR limits are then cascaded down to trading desks.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Exposure to market risks – trading portfolios (continued)

VaR is driven by actual historical observations and hence, it is not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, the VaR is further supplemented with other sensitivity limit structures and risk measures including stressed VaR (sVaR) and Expected Shortfall (ES) to address potential concentration risks within each trading portfolio. Moreover the trading activity at Group and desk level is subject to Management Action Triggers ("MAT") that are limits on maximum losses that trigger actions from management. The VaR is as follows:

	31 Dec 2023			
	AED'000 As at	AED'000 Average	AED'000 Max	AED'000 Min
VaR – Trading Book				
All	92,571	81,140	135,252	50,507
Interest rate	138,946	85,024	166,962	24,381
Credit	17,771	18,716	27,225	10,967
Foreign exchange	9,538	13,868	29,388	4,684
Equity	2,600	3,734	14,092	923
Commodity	190	635	9,406	48
Diversification benefit	(76,474)	(40,837)	(111,821)	9,504
	31 Dec 2022			
	AED'000 As at	**AED'000 Average**	**AED'000 Max**	**AED'000 Min**
VaR – Trading Book				
All	49,405	44,646	62,720	22,194
Interest rate	48,667	24,674	49,953	8,746
Credit	13,471	19,908	42,549	8,248
Foreign exchange	6,704	17,996	47,008	4,735
Equity	3,297	2,445	5,834	242
Commodity	793	1,168	8,202	19
Diversification benefit	(23,527)	(21,545)	(90,826)	204

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Exposure to market risk – banking portfolios

Exposure to Market Risk in the banking portfolios which comprise of non trading investments securities, reverse repurchase agreements and certain derivative instruments which are designated as hedging instruments arise primarily from the investment portfolios, interest rate gaps in the banking book, and the Group's overall FX positions.

The principal analytical tool used to measure and control the trading and investments risk exposure within the Group is Value at Risk ("VaR"). The VaR model is the same as the one used for the trading portfolios. The Group uses VaR limits for controlling the overall investment risk, including all risk factors such as foreign exchange, interest rate, equities and credit spreads. The overall structure of banking VaR limits is subject to review and approval by IMCO and then ratified by G-ALCO. VaR limits are then cascaded to different Investment desks. The VaR is as follows:

	31 Dec 2023			
	AED'000 As at	AED'000 Average	AED'000 Max	AED'000 Min
VaR – Banking Book				
All	384,860	358,265	412,698	271,670
Interest rate	100,123	110,637	176,236	59,887
Credit	402,545	355,241	416,944	252,484
Foreign exchange	133,394	82,591	160,395	14,224
Equity	18,015	16,608	19,036	14,456
Diversification benefit	(269,217)	(206,812)	(359,913)	(69,381)
	31 Dec 2022			
	AED'000 As at	**AED'000 Average**	**AED'000 Max**	**AED'000 Min**
VaR – Banking Book				
All	316,418	228,550	317,105	156,074
Interest rate	156,276	142,034	237,113	103,304
Credit	299,477	243,445	302,574	135,816
Foreign exchange	15,404	10,243	27,641	4,108
Equity	17,940	17,164	22,566	8,794
Diversification benefit	(172,679)	(184,336)	(272,789)	(95,948)

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham. The Board of Directors has set limits on positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. The Group had the following significant net exposures denominated in foreign currencies:

As at 31 December 2023	Net spot position (short)/long AED'000	Forward position (short)/long AED'000	Total (short)/long AED'000
Currency			
US Dollar	4,829,630	61,707,400	66,537,030
UK Sterling Pound	(1,435,313)	1,430,982	(4,331)
Euro	11,793,680	(11,702,271)	91,409
Kuwaiti Dinar	163,859	(222,120)	(58,261)
Saudi Riyal	1,621,240	(4,036,743)	(2,415,503)
Japanese Yen	4,691,673	(4,695,598)	(3,925)
Swiss Franc	(5,279,971)	5,222,908	(57,063)
Bahraini Dinar	9,974,021	(5,931,447)	4,042,574
Egyptian Pound	11,638,378	(10,697,160)	941,218
Indian Rupees	1,229,805	(168,525)	1,061,280
Libyan Dinar	188,592	-	188,592
Others	10,548,204	(11,059,107)	(510,903)

As at 31 December 2022	Net spot position (short)/long AED'000	Forward position (short)/long AED'000	Total (short)/long AED'000
Currency			
US Dollar	36,418,533	14,166,986	50,585,519
UK Sterling Pound	(6,087,696)	5,987,604	(100,092)
Euro	6,494,186	(5,268,504)	1,225,682
Kuwaiti Dinar	(261,244)	338,652	77,408
Saudi Riyal	1,497,762	(44,272)	1,453,490
Japanese Yen	4,659,046	(4,671,459)	(12,413)
Swiss Franc	(5,286,379)	5,245,329	(41,050)
Bahraini Dinar	9,071,533	(3,972,014)	5,099,519
Egyptian Pound	9,419,923	(9,720,529)	(300,606)
Indian Rupees	1,166,757	(108,076)	1,058,681
Libyan Dinar	157,243	-	157,243
Others	3,873,670	(5,168,276)	(1,294,606)

As AED, SAR and BHD are pegged against US Dollar, the Group's risk exposure to these currencies is limited to that extent. Exposure to other foreign currencies is insignificant.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2023 and 2022 on its monetary assets, liabilities and net derivatives forward position. The analysis estimates the effect of a reasonably possible movement of AED against other currencies, with all other variables held constant on the consolidated statement of profit or loss.

Currency	EGP	EUR	GBP	JPY	INR
Assumed change in exchange rates	1%	1%	1%	1%	1%
Impact on net income in exchange rate:					
31 Dec 2023 (AED'000)	± 9,412	± 914	± 43	± 39	± 10,613
31 Dec 2022 (AED'000)	± 3,006	± 12,257	± 1,001	± 124	± 10,587

At 31 December 2023 and 2022, the effect of the assumed changes in exchange rates on equity is insignificant.

Equity price risk

The Group is exposed to equity price risk on equity investments, either through holding of equities of another entity or through equity derivatives such as forward contracts, options or swaps. The fair value of these instruments will fluctuate due changes in the market price of the underlying equity instruments. The Group manages this risk through setting Equity Delta, Vega and Gamma limits. The Group also enforces diversification of investments in terms of geographical distribution and industry concentration.

The following table estimates the sensitivity to a possible change in equity markets on the Group's income statement. The sensitivity of the income statement is the effect of the assumed change in the reference equity benchmark on the fair value of investments carried at fair value through the income statement.

	Assumed level of change % AED'000	Impact on net income 31 Dec 2023 AED'000	Impact on net income 31 Dec 2022 AED'000
Investments at fair value through profit or loss			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	73,020	60,228
Dubai Financial Market Index	5%	1,192	1,575
Net asset value of managed funds and private equities	5%	157,217	112,459
Other equity exchanges	5%	4,193	18,860
		235,622	**193,122**

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Equity price risk (continued)

The effect on equity as a result of a change in the fair value of equity instruments held as available for sale at 31 December 2023 and 2022, due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Assumed level of change % AED'000	Impact on net income 31 Dec 2023 AED'000	Impact on net income 31 Dec 2022 AED'000
Non trading investments securities (excluding investment in associates and joint ventures)			
Reference equity benchmarks:			
Abu Dhabi Securities Exchange Index	5%	177,340	16,456
Other equity exchanges	5%	40,122	26,881
Unquoted	5%	10,204	10,207
		227,666	53,544

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities. Overall interest rate risk positions are managed by using derivative instruments to manage overall position arising from the Group's interest-bearing financial instruments. The use of derivatives to manage interest rate risk is described in note 44.

Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. The Group assumes a fluctuation in interest rates of 50 basis points (31 December 2022: 50 basis points) and uses its internal models / management view to estimates the following impact on the net profit for the year and equity at that date:

	Net profit for the year		Equity	
	31 Dec 2023 AED'000	31 Dec 2022 AED'000	31 Dec 2023 AED'000	31 Dec 2022 AED'000
50 bps up move	448,523	685,219	560,398	659,590
50 bps down move	(493,125)	(724,449)	(538,046)	(603,224)

The interest rate sensitivities set out above are based on AED 747,850 million (31 December 2022: AED 730,469 million) interest bearing assets and AED 716,184 million (31 December 2022: AED 639,419 million) interest bearing liabilities with interest re-pricing less than one year, for assessing the impact on net profit. The impact on equity as given in the table above is based on the sensitivity of interest-bearing assets and liabilities for the banking book. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The Group's interest rate gap and sensitivity position based on contractual cash flow arrangements at 31 December 2023 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing AED'000
Assets							
Cash and balances with central banks	233,390,285	194,897,448	143,383	-	-	239	38,349,215
Investments at fair value through profit or loss	45,208,793	17,353,355	22,149,274	2,054,080	457,216	576,905	2,617,963
Due from banks and financial institutions	25,266,370	20,871,070	96,260	-	103,897	-	4,195,143
Reverse repurchase agreements	78,503,863	25,745,686	33,158,369	16,433,659	3,166,149	-	-
Derivative financial instruments	46,420,686	-	-	-	-	-	46,420,686
Loans, advances and Islamic financing	483,953,520	349,716,762	58,747,544	43,342,239	26,794,335	5,352,640	-
Non trading investments securities	179,643,274	43,714,796	20,759,165	33,386,003	30,584,997	46,644,992	4,553,321
Other assets	41,332,686	-	-	-	-	-	41,332,686
Investment in associates	1,500,904	-	-	-	-	-	1,500,904
Investment properties	8,161,737	-	-	-	-	-	8,161,737
Property and equipment	5,114,876	-	-	-	-	-	5,114,876
Intangible assets	20,135,567	-	-	-	-	-	20,135,567
	1,168,632,561	652,299,117	135,053,995	95,215,981	61,106,594	52,574,776	172,382,098
Liabilities and equity							
Due to banks and financial institutions	71,527,631	59,821,960	4,351,236	-	213,058	-	7,141,377
Repurchase agreements	26,096,108	12,936,286	6,268,611	6,891,211	-	-	-
Commercial Paper	19,658,769	13,825,491	5,833,278	-	-	-	-
Derivative financial instruments	51,002,064	-	-	-	-	-	51,002,064
Customer accounts and other deposits	759,862,632	462,430,431	132,774,844	19,032,564	145,524,690	100,103	-
Other liabilities	46,931,908	-	-	-	-	-	46,931,908
Term borrowings	63,938,927	14,238,783	3,703,233	20,275,131	13,485,246	12,236,534	-
Subordinated notes	4,191,417	-	-	-	4,191,417	-	-
Equity	125,423,105	-	-	-	-	-	125,423,105
	1,168,632,561	563,252,951	152,931,202	46,198,906	163,414,411	12,336,637	230,498,454
On statement of financial position gap		89,046,166	(17,877,207)	49,017,075	(102,307,817)	40,238,139	(58,116,356)
Off statement of financial position gap		22,911,182	15,643,364	4,302,980	(13,770,543)	(29,086,983)	-
Total interest rate sensitivity gap		111,957,348	(2,233,843)	53,320,055	(116,078,360)	11,151,156	(58,116,356)
Cumulative interest rate sensitivity		111,957,348	109,723,505	163,043,560	46,965,200	58,116,356	-

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

The Group's interest rate gap and sensitivity position based on contractual cash flow arrangements at 31 December 2022 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing AED'000
Assets							
Cash and balances with central banks	228,368,829	204,494,879	138,020	-	-	239	23,735,691
Investments at fair value through profit or loss	31,816,797	18,311,815	9,393,433	822,248	680,340	395,251	2,213,710
Due from banks and financial institutions	24,886,956	21,456,922	37,545	-	113,719	-	3,278,770
Reverse repurchase agreements	69,106,092	28,926,241	25,635,985	9,056,324	5,487,542	-	-
Derivative financial instruments	58,873,843	-	-	-	-	-	58,873,843
Loans, advances and Islamic financing	459,593,327	314,333,511	72,446,033	35,604,724	31,176,979	6,032,080	-
Non trading investments securities	172,349,818	41,313,933	21,686,320	32,437,867	35,473,128	40,269,817	1,168,753
Other assets	30,205,655	-	-	-	-	-	30,205,655
Investment in associates	1,559,303	-	-	-	-	-	1,559,303
Investment properties	7,168,089	-	-	-	-	-	7,168,089
Property and equipment	5,795,207	-	-	-	-	-	5,795,207
Intangible assets	20,332,179	-	-	-	-	-	20,332,179
	1,110,056,095	**628,837,301**	**129,337,336**	**77,921,163**	**72,931,708**	**46,697,387**	**154,331,200**
Liabilities and equity							
Due to banks and financial institutions	61,560,340	48,279,949	3,110,268	-	3,911,329	-	6,258,794
Repurchase agreements	39,004,515	13,768,730	8,516,896	16,718,889	-	-	-
Commercial Paper	31,738,356	30,962,208	776,148	-	-	-	-
Derivative financial instruments	62,024,540	-	-	-	-	-	62,024,540
Customer accounts and other deposits	700,573,371	360,350,394	157,465,046	7,279,965	175,439,565	38,401	-
Other liabilities	37,048,977	-	-	-	-	-	37,048,977
Term borrowings	62,635,133	13,969,224	2,219,929	20,484,853	18,096,432	7,864,695	-
Subordinated notes	420,620	-	-	-	420,620	-	-
Equity	115,050,243	-	-	-	-	-	115,050,243
	1,110,056,095	**467,330,505**	**172,088,287**	**44,483,707**	**197,867,946**	**7,903,096**	**220,382,554**
On statement of financial position gap		161,506,796	(42,750,951)	33,437,456	(124,936,238)	38,794,291	(66,051,354)
Off statement of financial position gap		6,800,753	40,111,769	(17,696,737)	(19,383,796)	(9,831,989)	-
Total interest rate sensitivity gap		**168,307,549**	**(2,639,182)**	**15,740,719**	**(144,320,034)**	**28,962,302**	**(66,051,354)**
Cumulative interest rate sensitivity		**168,307,549**	**165,668,367**	**181,409,086**	**37,089,052**	**66,051,354**	**-**

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some Interbank offered rates ("IBORs") with alternative nearly risk-free rates ("ARRS"). The Group has significant exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives. IBORs, such as the London Interbank Offered Rate ("LIBOR"), plays a critical role in global financial markets, serving as reference rates for derivatives, Loans, advances and Islamic financing, and as parameters in the valuation of financial instruments.

The Group continues to coordinate and oversee the transition from IBORs to ARRS with no significant changes to the project or transition. The FAB IBOR Transition Project (or "the Project") continues to be on target and the Group continues to progress on its transition plan for the remaining IBOR exposure, which is indexed to US dollar LIBOR with, one month, three-month and six month LIBOR settings before 30 September 2024, the US dollar LIBOR cessation date for remaining tenors.

FCA (Financial Conduct Authority) has requested IBA (ICE Benchmark Administration Limited) to continue publishing US dollar LIBOR for one, three, and six-month tenors until 30 September 2024. However, it is worth noting that, from 1 July 2023, the methodology for calculating the US dollar LIBOR became unrepresentative, using the relevant CME Term SOFR Reference Rate plus the respective ISDA fixed spread adjustment, referred to as 'synthetic US dollar LIBOR'. The synthetic US dollar LIBOR settings was applicable for all legacy contracts, except for cleared derivatives.

As at 31 December 2023, the Group did not hold any material off-balance sheet commitments and financial guarantees linked to LIBOR.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

FAB's approach towards IBOR Transition

Loans, Bonds and other On Balance Sheet exposures

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the Group has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate. As at 31 December 2023, the IBOR reform in respect of currencies to which the Group has exposure has been completed except for US dollar indexed exposures. The table below sets out the IBOR rates that the Group had exposure to, the new benchmark rates to which these exposures have or are being transitioned, and the status of the transition.

Currency	Benchmark before Reform	Benchmark after Reform	31 Dec 2023	31 Dec 2022
USD	USD LIBOR	SOFR	In progress	In progress
GBP	GBP LIBOR	SONIA	Completed	Completed
EURO	EONIA	€STR	Completed	Completed
EURO	EURIBOR	EURIBOR reformed	Completed	Completed
JPY	JPY LIBOR	TONAR / TORF	Completed	Completed
CHF	CHF LIBOR	SARON	Completed	Completed

In line with the regulatory guidance, FAB took necessary steps and made significant progress in transitioning customer to alternative benchmarks. FAB has completed the customer outreach, giving all customers an opportunity to transition to alternative rates, prior to 31 December 2023. However, due to market conditions and various challenges, part of the FAB IBOR portfolio will use synthetic LIBOR where applicable and until they are transitioned.

Balances reported at amortized cost are disclosed at their gross carrying value and do not include any expected credit losses that may be held against them. Balances reported at fair value are disclosed at their fair value on the balance sheet date.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest Rate Benchmark Reform (continued)

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Non-derivative financial assets		
Cash and balances with central banks	-	322,714
Investments at fair value through profit or loss	1,140,845	389,095
Due from banks and financial institutions	78,473	4,726,354
Reverse repurchase agreements	590,561	29,901,779
Loans, advances and Islamic financing	29,521,189	91,894,639
Non trading investments securities	2,520,298	8,380,834
Non-derivative financial assets	**33,851,366**	**135,615,415**
Non-derivative financial liabilities		
Due to banks and financial institutions	5,522,934	27,218,069
Repurchase agreements	6,945,524	32,857,465
Commercial paper	-	30,930,714
Customer accounts and other deposits	14,369,166	258,404,465
Term borrowings	9,538,986	16,647,997
Non-derivative financial liabilities	**36,376,610**	**366,058,710**

Derivatives and hedge accounting

The Group holds derivatives for trading and risk management purposes. Derivatives held for risk management purposes are designated in hedging relationships. The interest rate and cross-currency swaps have floating legs that are indexed to various IBORs.

The table below represents the derivative exposures to interest rate benchmark reform, which have yet to transition as of 31 December 2023.

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Exchange traded interest rate options and swaptions	-	2,471,929
OTC interest rate swaps	18,386,877	748,469,269
OTC interest rate options and swaptions	-	1,443,489
OTC other derivative contracts	1,032,036	158,509,522
Derivative notional contract amount	**19,418,913**	**910,894,209**

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest Rate Benchmark Reform (continued)

Derivatives and hedge accounting (continued)
For derivative exposures, the Group has adhered to the adoption of the International Swaps and Derivatives Association ('ISDA') protocol as a fallback provision, which came into effect in January 2021, and the successful changes made by clearing houses to discount derivatives using the euro short-term rate ('€STR') and SOFR, to reduce the risk of a disorderly transition of the derivatives market.

Hedging relationships impacted by uncertainty about IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness.

The objective of the majority of these hedges and consistent with the overall interest rate risk management strategy of FAB is to reduce fluctuations of the fair value of bonds purchased by FAB or its own issuances which pay a fixed rate and also reduce fluctuations from foreign exchange risk if these are denominated in another currency that is not AED or USD.

(d) Operational risk
Operational risk is defined as the risk of losses resulting from inadequate or failed processes, people and systems or from external events.

Operational risks arise across all businesses in the Group. The primary responsibility to ensure these risks are managed and monitored, resides with the businesses within the Group. Group's businesses are supported by embedded risk resources and Group Operational Risk Management as 'second line of defense' to ensure robust risk management.

Group Operational Risk Management (GORM) reports to CRO who has an independent reporting line to Board Risk Committee which is being apprised of the management of operational risk through periodic reporting. GORM provides tools, trainings and template to all business function to effectively identify, assess, manage, monitor and control operational risk.

Further, there are reviews conducted by Group Internal Audit as the 'third line of defense'. The results of internal audit reviews are discussed with the management of the respective divisions and summaries are submitted to the Board Audit Committee.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(d) Operational risk (continued)
The Group has an established Operational Risk framework consisting of policies and procedures to identify, assess, monitor, control, report and manage risks and to notify, identify and resolve incidents. The Operational Risk framework also provides the interrelation with other risk categories and where appropriate, provide for risk transfer in the form of insurance.

The Group has adopted BASEL event categories to classify its operational risk events, which are:

- Internal fraud: Risk of unauthorized activity and fraud perpetrated by employees
- External fraud: Risk of fraud or breach of system security by an external party
- Employee practices and workplace safety: Risk of failures in employee relations, diversity and discrimination, and health and safety risks across the group
- Damage to physical assets: Risk of impact to the group due to natural disasters
- Clients, products and business practices: Risk of failing in assessing client suitability, fiduciary responsibilities, improper business practices, flawed products and advisory activities.
- Business disruption and system failures: Risk of not planning and testing business continuity and disaster recovery for systems
- Execution delivery and process management: Risk of failed transaction execution, customer intake and documentation, vendor management and monitoring and reporting.

The Board has oversight responsibilities for operational risk management across the Group. These responsibilities are delegated and exercised through the Group Operational & Fraud Risk Committee, which is the senior management forum responsible for the oversight and management of Operational & Fraud Risks.

Key responsibilities of Group Operational & Fraud Risk Committee with regards to Operational risk include to ensure:

- Define guidelines to identify and manage Operational & Fraud risks in all new products, processes, and activities.
- Defining scope, policy, objectives, assumptions, and roles / responsibilities of the Group's Operational & Fraud Risk Management Policies.
- Reporting of the Bank's Operational Risk profile, ratifying and recommending relevant Operational Risk and Fraud Risk strategies
- Ensuring alignment of business strategies with risk priorities and acting to protect and enhance the shareholders' value.

(e) Capital management
CBUAE regulations govern regulatory capital requirements for the Group; in addition, the overseas branches and subsidiaries may be directly supervised by their local regulators. The capital management process for the Group is linked to the overall business strategy to ensure that capital is adequate to the level of inherent risk in the business and within the firm's capital risk appetite The Group conducts capital planning in conjunction with the financial budgeting exercise.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(e) Capital management (continued)

The Board and top management define the long-term strategic direction for the Group. This provides the framework for the development of a bottom-up plan based on the projections from individual business units. The bottom-up plan is an input to the annual budgeting process and is conducted at a business unit and country level. These are consolidated for each business division and finally, for the entire Group. Business units, within each division, develop forecasted balance sheet and income statements for the next year, by considering the following key parameters:

- the short term (one year) goals
- risk appetite and strategy
- target growth rates
- target returns

The Group's capital management policies aim to ensure that it has sufficient capital to cover the risks associated with its activities and the allocation of capital across the Group. The assessment of the various risks across the Group and their likely impact is carried out in conjunction with the ICAAP undertaken annually. As part of the ICAAP process, Group Risk function identifies the various risks the Group is exposed to as part of its day-to-day operations. Next, the Group assesses these risks against the existing policies and procedures, frameworks and methodologies, contingency plans and other processes to measure, manage and mitigate the impact of such risks. Finally, the Group determines the capital requirements for the material risk exposures. The key objectives of the Group's capital management process are:

- Maintain sufficient capital to meet minimum capital requirement set by the CBUAE.
- Maintain sufficient capital to support Group's Risk Appetite and strategic objectives as per long-term strategic plan.
- Maintain adequate capital to withstand stress scenarios including increased capital requirements determined through ICAAP.
- To support the Group's credit rating.

The Group conducts regular stress test exercises to assess the resilience of the group to adverse market developments under stress scenarios. The risk factors are shocked using the assumptions made under the respective scenarios and the corresponding impact on the capital adequacy is determined. The Group uses various macroeconomic and idiosyncratic stress tests in order to project capital need and capital levels under various stress scenarios. The stress testing is perceived as an important tool in internal capital planning. The stress test result during 2023 shows that the Group has adequate capital even under adverse scenarios.

As part of the gradual introduction of Basel III in the UAE, and the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the UAE Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSD/N/2020/4980, FAB is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 14.5 per cent. Included within this UAE Central Bank prescribed minimum total capital adequacy ratio, FAB, as a domestically systemic important bank ("D-SIB"), is required, effective from 1 January 2019 to maintain a D-SIB buffer of 1.50 per cent of Common Equity Tier 1. A capital conservation buffer of 2.5 per cent. of Common Equity Tier 1 is also included within this minimum total capital adequacy ratio of 14.5 per cent. In addition to this minimum capital adequacy ratio, a counter-cyclical buffer is applicable to FAB, which is determined on the basis of the geographical distribution of credit exposures and the counter-cyclical capital buffer applicable in such jurisdictions.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(e) Capital management (continued)

In addition, the Central Bank of the UAE vide Notice no. CBUAE/BSD/N/2020/2016 dated 22 April 2020 allows banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 (Stages 1 and 2 only) compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five-year period until 31 December 2024. As per the CBUAE standards regarding the capital definition, the expected / proposed dividends are to be deducted from CET1. Consequently, the Capital Adequacy ratio as computed below takes into account the impact of proposed dividend.

	31 Dec 2023 AED'000	31 Dec 2022 AED'000
Tier 1 capital		
Ordinary share capital	11,047,612	11,047,612
Share premium	53,557,581	53,557,581
Retained earnings	36,393,333	27,078,852
Statutory and special reserve	14,098,861	13,084,313
General reserve and share option scheme	478,081	478,081
Fair value reserve	(1,185,349)	(2,270,259)
Non-controlling Interests	110,272	12,460
Foreign currency translation reserve	(2,924,527)	(2,175,695)
Less: Proposed dividend[1]	(7,843,805)	(5,744,758)
Eligible Tier 1 capital (a)	**103,732,059**	**95,068,187**
Deductions:		
Treasury shares	(6,505)	(6,505)
Deferred tax assets	(237,725)	(134,767)
Goodwill and Intangible assets	(21,986,016)	(22,543,127)
Other deductions	(270,788)	(281,789)
Total deductions	**(22,501,034)**	**(22,966,188)**
	81,231,025	**72,101,999**
Additional Tier 1		
Tier 1 capital notes	10,754,750	10,754,750
	91,985,775	**82,856,749**
Tier 2 capital		
Qualifying subordinated liabilities	3,899,025	210,310
Allowance for collective impairment	6,414,338	6,200,441
	10,313,363	**6,410,751**
Total regulatory capital base	**102,299,138**	**89,267,500**
Risk weighted assets:		
Credit risk	513,147,062	496,035,297
Market risk	36,309,861	42,880,507
Operational risk	37,992,409	32,974,585
Risk weighted assets	**587,449,332**	**571,890,389**
Ratios with transition impact:		
CET 1 ratio	13.8%	12.6%
Tier 1 capital ratio	15.7%	14.5%
Capital adequacy ratio	17.4%	15.6%

The Group and its overseas branches and subsidiaries have complied with all externally imposed capital requirements for all periods presented.

[1]The above capital adequacy ratios have been calculated in line with Basel guidelines and proposed dividends are subject to share holders' approval at the Annual General Meeting.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(f) Country risk

Country risk is the likelihood of economic, social and political events in a foreign country negatively influencing the willingness or ability of state owned and/or privately owned customers in that country to pay their debts on time.

The Group undertakes a detailed qualitative analysis pertaining to country risk as a part of the business decision process. These factors include economic, social and political stability in each country, the monetary policy, the foreign exchange control measure, the transparency of information, the financial and market structure, banking regulations and supervision, the legal system and the accounting standards among others. Country risks are monitored and controlled using country limits set by the Group; these limits are in accordance with overall business strategy, capital adequacy and provisions for potential risks, risk rating of each country, acceptable level of risk and business opportunities in each country.

(g) Strategic risk

Strategic risk refers to the risk of current or prospective impact on the Group's earnings, capital, reputation or standing arising from changes in the environment the Group operates in and from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry, economic or technological changes. It is a function of compatibility of Group's strategic goals, strategies developed to achieve those goals, resources deployed to meet those goals and the quality of implementation.

The Group uses several factors to identify and assess impact of strategic risk on its books, including level of integration of risk management policies and practices in the strategic planning process, aggressiveness of strategic goals and compatibility with developed business strategies, capital support for the strategic initiatives to take care of earnings volatility, effectiveness of communication and consistency of application of strategic goals, objectives, corporate culture, and behaviour throughout the Group.

Strategic risks are monitored and controlled as part of the strategic planning process wherein the Group reviews the progress on strategic initiatives vis-à-vis the plan and considers whether the progress is in line with the plan and the external business environment. The strategic plan is periodically reviewed and updated subject to an approval process which is also a part of the strategic planning process.

(h) Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanction, material financial loss, or loss to reputation the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, or codes of conduct applicable to its banking activities.

Compliance risk is managed in accordance with a compliance risk management framework and within a defined risk appetite. The primary responsibility for managing compliance risk rests with the Group's first line businesses and enablement functions in accordance with the Group's three lines of defense risk and control model. The Group compliance function is a second line function and is responsible for overseeing the management of compliance risk and for the development of internal compliance risk frameworks and policies. Group compliance works in partnership with the risk management and legal functions and is overseen by Group Internal Audit.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(i) Reputational risk

Reputational risk is the risk to earnings or capital arising from negative public opinion. This can be due to external or internal events.

The Group identifies and assesses reputational risk by clearly defining types of risks to be captured, establishing key sources of reputational risk it may be exposed to, based on individual circumstances, describing the risks identified in terms of the nature of risk and the potential consequences that the risks may bring to its reputation. The Group also refers to other relevant information for risk identification purposes. Such information may be sourced from media reports, stakeholder analysis reports, internal audit and compliance reports, management exception reports or other early warning indicators.

For reputational risks, apart from the regular monitoring of external and internal events that can result in possible reputational risks, the Group also has processes to track risks that may affect its reputation. These processes allow the BOD and senior management to take prompt corrective actions to address any anticipated reputational event in advance.

In order to manage reputational risks, the Group has set in place a mechanism that entails drawing up action plans to identify reputational risk events and facilitate subsequent monitoring of the progress made; for those risks that may be very difficult or too costly to eliminate entirely the mechanism requires development of contingency plans as response actions.

(j) Environmental, Social and Governance (ESG) risk

The Group's ESG risk appetite is aligned with the enterprise-wide risk appetite framework. An ESG key risk metric has been integrated within the bank's Risk Appetite Framework (for example: credit concentration to counterparties in high ESG risk sectors) and is monitored and presented to the Board Risk and ESG Committee on a quarterly basis.

The Group has developed an ESG risk framework for:
- identifying risk factors and assessing their potential impact on the Group's financial statements; and
- allocating responsibilities for managing each identified risk factor.

The Bank has made significant progress in embedding ESG in its Risk framework, including the development of appropriate policies, risk appetite metrics and the creation of a Group ESG Committee, which is responsible for approving group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories.

Notes to the consolidated financial statements

For the year ended 31 December 2023

51 Financial risk management (continued)

(j) Environmental, Social and Governance (ESG) risk (continued)

Climate-related risk

The Bank and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in customer demands and supply chains. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

52 Comparative figures

'Investment in associates' (31 December 2022: AED 1.5 billion) which were previously classified within other 'Non trading investment securities' are now presented separately on the consolidated statement of financial position. As at 1 January 2022, 'Investment in associates' amounted to AED 75 million and therefore the Balance sheet as at 1 January 2022 has not been separately presented.

Interest income on fair value through profit or loss bonds (31 December 2022: AED 169 million) that was previously classified within 'Interest income' & 'Income from Islamic financing and Investing products' has now been reclassified to 'Net gain on investments and derivatives' in the consolidated statement of profit of loss. Interest expense on certain financial instruments (31 December 2022: AED 381 million) that was previously classified within 'Distribution on Islamic deposits' has now been reclassified to 'Interest expense' in the consolidated statement of profit of loss.

Additionally, 'foreign currency translation adjustments' (31 December 2022: AED 3,444 million) that were included within adjustments for operating activities, have now been reclassified to the end of the cash flow statement and disclosed separately.

Notes to the consolidated financial statements

For the year ended 31 December 2023

53 Proposed transaction

On 9 June 2023, FAB entered into an agreement with affiliates of Brookfield Asset Management, together with other co-investors, for the proposed acquisition by BCP VI Neptune Bidco Holdings Limited of Network International Holdings Plc for approximately AED 10.3 billion (GBP 2.2 billion), subject to the terms and conditions set out in the scheme document. Under the terms of the agreement, FAB and other parties will provide equity funding, interim and revolving financing facilities.

FAB has committed co-investment in the form of equity funding of up to AED 2.7 billion (GBP 576 million), which will be provided upon completion of the acquisition. FAB is also providing AED 1.4 billion (USD 370 million) interim term and revolving facility to finance the acquisition. Upon completion of the acquisition and subject to regulatory approvals, Network International Holdings Plc is intended to be combined with BCP Growth Holdings Limited.

54 Subsequent events

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

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FAB

First Abu Dhabi Bank