Commercial Bank of Dubai PSC

Group condensed consolidated interim financial statements

For the three-month period ended 31 March 2024

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Deloitte.

Deloitte & Touche (M.E.)
Building 2, Level 3
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax:+971 (0) 4 376 8899
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Commercial Bank of Dubai PSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Commercial Bank of Dubai PSC** (the "Bank") **and its subsidiaries** (together referred to as the "Group") as at 31 March 2024 and the interim condensed consolidated income statement, and the related statements of comprehensive income, changes in equity and cash flows for the three months period then ended, and material accounting policy information and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 31 January 2024. The interim financial information for the period ended 31 March 2023 was reviewed by another auditor who expressed an unmodified conclusion on that information on 3 May 2023.

Deloitte & Touche (M.E.)

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

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of financial position

As at 31 March 2024

	Notes	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
ASSETS			
Cash and balances with Central Bank	*7*	**11,901,033**	15,009,602
Due from banks, net	*8*	**3,716,778**	3,772,709
Loans and advances and Islamic financing, net	*9*	**86,791,457**	83,313,306
Investment securities, net	*10*	**16,887,099**	15,098,729
Investment in an associate		**105,112**	102,390
Investment properties		**246,050**	246,050
Property and equipment		**450,721**	431,843
Bankers acceptances		**7,456,569**	7,931,518
Positive mark to market value of derivatives		**805,704**	697,872
Other assets, net	*11*	**2,615,905**	2,383,472
TOTAL ASSETS		**130,976,428**	128,987,491
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**8,772,997**	7,833,389
Customer deposits and Islamic customer deposits	*12*	**90,341,768**	88,287,145
Notes and medium term borrowings	*13*	**5,081,663**	5,705,456
Due for trade acceptances		**7,456,569**	7,931,518
Negative mark to market value of derivatives		**730,518**	634,707
Other liabilities	*14*	**3,454,992**	2,813,919
TOTAL LIABILITIES		**115,838,507**	113,206,134
EQUITY			
Share capital	*15.1*	**2,985,192**	2,985,192
Tier 1 capital notes	*15.2*	**2,203,800**	2,203,800
Legal and statutory reserve		**1,492,596**	1,492,596
General reserve		**1,328,025**	1,328,025
Capital reserve		**38,638**	38,638
Fair value reserve		**(543,741)**	(552,325)
Retained earnings		**7,633,411**	8,285,431
TOTAL EQUITY		**15,137,921**	15,781,357
TOTAL LIABILITIES AND EQUITY		**130,976,428**	128,987,491

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

The Group condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 24 April 2024.

The attached notes from 1 to 26 form part of the Group condensed consolidated interim financial statements. The independent auditor's report on review of the Group condensed consolidated interim financial statements is set out on page 1.

H.E. Ahmad Abdulkarim Mohammad Julfar
Chairman

Dr. Bernd van Linder
Chief Executive Officer

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of profit or loss

For the three-month period ended 31 March 2024 (unaudited)

	Notes	**31 March 2024 AED'000 (Unaudited)**	31 March 2023 AED'000 (Unaudited)
Interest income		**1,619,067**	1,306,924
Interest expense		**(730,342)**	(518,692)
Net interest income		**888,725**	788,232
Income from Islamic financing		**220,728**	176,614
Distribution on Islamic deposits		**(150,133)**	(76,154)
Net income from Islamic financing		**70,595**	100,460
Total net interest income and net income from Islamic financing		**959,320**	888,692
Fees and commission income		**354,146**	318,983
Fees and commission expense		**(77,125)**	(104,057)
Net fees and commission income		**277,021**	214,926
Other operating income	*16*	**135,901**	133,775
Total operating income		**1,372,242**	1,237,393
Operating expenses	*17*	**(315,098)**	(289,319)
Operating Profit before impairment		**1,057,144**	948,074
Net impairment loss	*18*	**(287,048)**	(372,851)
Net profit for the period before income tax expense		**770,096**	575,223
Income tax expense		**(69,112)**	-
Net profit for the period		**700,984**	575,223
Basic and diluted earnings per share	*19*	**AED 0.23**	AED 0.19

The attached notes from 1 to 26 form part of the Group condensed consolidated interim financial statements.

The independent auditor's report on review of the Group condensed consolidated interim financial statements is set out on page 1.

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of profit or loss and other comprehensive income

For the three-month period ended 31 March 2024 (unaudited)

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)
Net profit for the period	**700,984**	575,223
Items that will not be reclassified to profit or loss:		
Realised loss on sale of equity investments held at fair value through other comprehensive income	**(5,176)**	-
Net change in fair value of equity investments (or instruments) at FVOCI	**6,513**	(9,287)
Tax related	**(121)**	-
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value reserve of property	**-**	(6,574)
Changes in fair value reserve of an associate	**826**	722
Net amount transferred (or reclassified) to profit or loss on debt investments (or instruments) at FVOCI	**(951)**	-
Net change in fair value of debt investments (or instruments) at FVOCI	**2,317**	71,413
	2,192	65,561
Other comprehensive income for the period, net of tax	**3,408**	56,274
Total comprehensive income for the period	**704,392**	631,497

The attached notes from 1 to 26 form part of the Group condensed consolidated interim financial statements.

The independent auditor’s report on review of the Group condensed consolidated interim financial statements is set out on page 1.

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of changes in equity

For the three-month period ended 31 March 2024 (unaudited)

	Share capital AED'000	Tier 1 capital notes AED'000	Legal and statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2024	**2,985,192**	**2,203,800**	**1,492,596**	**1,328,025**	**38,638**	**(552,325)**	**8,285,431**	**15,781,357**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**700,984**	**700,984**
Other comprehensive income for the period, net of tax	**-**	**-**	**-**	**-**	**-**	**8,584**	**(5,176)**	**3,408**
Transactions with shareholders, recorded directly in equity								
Cash dividend for 2023 (44.38%) [Note 15.1]	**-**	**-**	**-**	**-**	**-**	**-**	**(1,324,828)**	**(1,324,828)**
Directors' remuneration for 2023	**-**	**-**	**-**	**-**	**-**	**-**	**(23,000)**	**(23,000)**
Balance as at 31 March 2024 (unaudited)	**2,985,192**	**2,203,800**	**1,492,596**	**1,328,025**	**38,638**	**(543,741)**	**7,633,411**	**15,137,921**
Balance as at 1 January 2023	2,802,734	2,203,800	1,401,447	1,328,025	38,638	(693,832)	6,801,434	13,882,246
Net profit for the period	-	-	-	-	-	-	575,223	575,223
Other comprehensive income for the period, net of tax	-	-	-	-	-	56,274	-	56,274
Transactions with shareholders, recorded directly in equity								
Bonus shares for 2022 (6.51%)	182,458	-	-	-	-	-	(182,458)	-
Cash dividend for 2022 (26.05%) [Note 15.1]	-	-	-	-	-	-	(730,112)	(730,112)
Directors' remuneration for 2022	-	-	-	-	-	-	(23,000)	(23,000)
Balance as at 31 March 2023 (unaudited)	2,985,192	2,203,800	1,401,447	1,328,025	38,638	(637,558)	6,441,087	13,760,631

The attached notes from 1 to 26 form part of the Group condensed consolidated interim financial statements.

The independent auditor’s report on review of the Group condensed consolidated interim financial statements is set out on page 1.

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of cash flows

For the three-month period ended 31 March 2024 (unaudited)

	Notes	**31 March 2024 AED'000 (Unaudited)**	31 March 2023 AED'000 (Unaudited)
OPERATING ACTIVITIES			
Net profit for the period before income tax expense		**770,096**	575,223
Adjustments for non-cash and other items:			
Depreciation and amortisation		**12,328**	10,818
Amortisation of (discount) / premium on investments		**(100,006)**	(40,188)
Amortisation of transaction cost on notes and medium term borrowings		**617**	239
Loss / (gain) on foreign exchange translation		**5,792**	(5,202)
Realised gain on sale of investments		**(951)**	-
Net unrealized gain on derivatives		**(12,021)**	(8,529)
Impairment allowance on investment securities		**32**	133
Other operating income		**(1,896)**	(78)
Dividend income		**(1,754)**	(1,754)
Impairment allowance on loans and advances and Islamic financing		**309,193**	325,225
Impairment allowance on due from banks		**133**	145
Impairment allowance on other assets		**211**	78,448
Impairment allowance on financial guarantees and loans commitments		**20,362**	783
Loss / (gain) on disposal of property and equipment		**81**	(56)
		1,002,217	935,207
Tax paid		**(191)**	-
Increase in negotiable Central Bank U.A.E. certificate of deposits with original maturity of more than three months		**-**	(900,000)
Increase in due from banks with original maturity of more than three months		**(473,4 80)**	(456,120)
Increase in loans and advances and Islamic financing		**(3,787,344)**	(2,240,247)
(Increase) / decrease in other assets		**(241,370)**	73,776
Increase / (decrease) in due to banks		**939,608**	(755,369)
Increase in customer deposits and Islamic customer deposits		**2,054,623**	5,118,485
Increase in other liabilities		**551,669**	320,459
Directors' remuneration paid		**(23,000)**	(23,000)
Net cash flow generated from operating activities		**22,732**	2,073,191
INVESTING ACTIVITIES			
Purchase of investments		**(4,000,512)**	(5,363,117)
Purchase of property and equipment		**(31,287)**	(21,844)
Dividend income received		**1,754**	1,754
Proceeds from sale and matured investments		**2,318,703**	728,468
Proceeds from sale of property and equipment		**-**	56
Net cash flow used in investing activities		**(1,711,342)**	(4,654,683)
FINANCING ACTIVITIES			
Repayment of notes and medium-term borrowings		**(624,410)**	-
Dividend paid		**(1,324,828)**	(730,112)
Net cash flow used in financing activities		**(1,949,238)**	(730,112)
Net decrease in cash and cash equivalents		**(3,637,848)**	(3,311,604)
Cash and cash equivalents at 1 January		**15,416,916**	17,991,801
Cash and cash equivalents at end of the period	*20*	**11,779,068**	14,680,197

The attached notes from 1 to 26 form part of the Group condensed consolidated interim financial statements.

The independent auditor’s report on review of the Group condensed consolidated interim financial statements is set out on page 1.

1. LEGAL STATUS AND ACTIVITIES

Commercial Bank of Dubai PSC ("the Bank") was incorporated in Dubai, United Arab Emirates (U.A.E.) in 1969 and is registered as a Public Joint Stock Company (PJSC) in accordance with Federal Law No. 32 of 2021. The Bank is listed on the Dubai Financial Market. The Bank's principal activity is commercial and retail banking. The registered address of the Bank is CBD Head Office, Al Ittihad Street, P. O. Box 2668, Dubai, United Arab Emirates.

The condensed consolidated interim financial statements of the Group for the three-month period ended 31 March 2024 comprise the results of the Bank, its wholly owned subsidiaries (together referred to as "the Group") and the Group's interest in an associate. No income of a seasonal nature was recorded in the condensed consolidated interim financial information for the three-month periods ended 31 March 2024 and 2023, respectively. Details about subsidiaries, special purpose entities and an associate:

Name of Subsidiary	Ownership Interest 31 March 2024	Ownership Interest 31 December 2023	County of Incorporation	Principle activities
Subsidiary				
CBD Financial Services LLC	100%	100%	UAE	Providing brokerage facilities for local shares and bonds.
CBD Employment Services One Person Company LLC	100%	100%	UAE	Supply of manpower services.
Attijari Properties LLC	100%	100%	UAE	Self-owned property management services as well as buying and selling of real estate.
Noor Almethaq Real Estate Development LLC	100%	100%	UAE	Development of real estate.
Special Purpose Entity				
CBD (Cayman) Limited	100%	100%	Cayman Islands	Issuance of debt securities.
CBD (Cayman II) Limited	100%	100%	Cayman Islands	Transact and negotiate derivative agreements.
VS 1897 (Cayman) Limited	100%	100%	Cayman Islands	Manage investment acquired in the settlement of debt.
CBD Digital Lab Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	UAE	Technology research and development.
Hortin Holding Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Lodge Hill Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Westdene Investment Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Associate				
National General Insurance Co. (PJSC)	17.8%	17.8%	UAE	Life and general insurance business as well as certain reinsurance business.

2. BASIS OF PREPARTION

2.1 Statement of compliance

These Group condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial reporting. These condensed consolidated interim financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

The accounting policies adopted in the preparation of these Group condensed consolidated interim financial statements are consistent with those followed in the preparation of these Group audited consolidated financial statements for the year ended 31 December 2023, except for the new and revised International Financial Reporting Standards mentioned in note 5.

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed consolidated interim financial statements.

2.2 Functional and presentation currency

These Group condensed consolidated interim financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional and presentation currency, rounded to the nearest thousand unless otherwise stated.

2.3 Basis of consolidation

These Group condensed consolidated interim financial statements comprise the financial statements of the Bank, its wholly owned subsidiaries (together referred to as "the Group"), which it controls and the Group's interest in an associate, as at 31 March 2024. Control is achieved when the Group is exposed, 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.

3. MATERIAL ACCOUNTING POLICIES

3.1 Financial Assets

3.1.1 Classification

The Group classifies financial assets on initial recognition in the following categories:
- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

Business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at portfolio level, because this reflects the way the business is managed and information is provided to the management. The assessment is not determined by a single factor or activity. Instead, the entity considers all relevant information available at the date of the assessment. The information considered includes:

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.1 Classification (continued)

- the stated policies and objectives for the business 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 and the financial asset held within the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the portfolio and, in particular, the way in which those risks are managed;
- how the managers of the business are compensated; 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 cash flows are realised.

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

Assessment whether contractual cash flows is solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument.

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘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.

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 from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1.2 Impairment of financial assets

The Group recognizes, where applicable, loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at FVPL:

- balances with central banks;
- due from banks;
- debt investment securities;
- loans and advances, Islamic financing and other financial assets;
- loan commitments; and
- financial guarantee contracts.

No impairment loss is recognized on equity investments.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1: When financial instruments are first recognised, the Group recognises an allowance based on 12 months ECLs. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses (LTECL). LTECL are the ECL that result from all possible default events over the expected life of the financial instrument.
Stage 3: Financial Instruments considered credit-impaired. The Group records an allowance for the LTECLs.

ECLs are an unbiased probability-weighted estimate of the present value of credit losses that is determined by evaluating a range of possible outcomes. For funded exposures, ECL is measured as follows:

- for 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); and
- 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.

However, for unfunded exposures, ECL is measured as follows:

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

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

The key inputs into the measurement of ECL are the term structures of the following variables:
- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

These parameters are generally derived from internally developed statistical models, other historical data and are adjusted to reflect forward-looking information.

Details of these statistical parameters / inputs are as follows:

- PD – PD is the estimate of likelihood of default over a given time horizon, which is calculated based on statistical rating models currently used by the Group, and assessed using rating tools tailored to the various categories of counterparties and exposures.
- EAD – EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EADs of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.
- LGD – LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, history of recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

(i) Assessment of significant increase in credit risk

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

Quantitative thresholds are established for the significant increase in the credit risk by comparing the risk of default estimated at origination with the risk of default at reporting date based on the movement in credit rating by 3 notches for credit risk grading 1 – 10, by 2 notches for credit risk grading 11 – 17 and 1 notch for credit risk grading 18 – 19. In addition to quantitative criteria the Group has a proactive Early

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

(i) Assessment of significant increase in credit risk (continued)

Warning Indicator (EWI) framework, based on which the Credit Risk team performs a portfolio quality review on a monthly basis. The objective of the same is to identify potentially higher risk customers within the performing customers.

For retail lending the Group considers credit scores and events such as unemployment, bankruptcy or death. As a back-stop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. The criteria may be rebutted on a case by case basis, depending upon individual circumstances of customers.

(ii) Improvement of credit risk profile

The Group has defined below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

- Significant decrease in credit risk will be upgraded in stage (one stage at a time) from Stage 3 to Stage 2 and from Stage 2 to Stage 1 after meeting the curing period of at least 12 months.
- Restructured cases will be upgraded if repayments of 3 installments (for quarterly installments) have been made or 12 months (for installments longer than quarterly) curing period is met.

Default definition

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

The Group has performed a historical default rate analysis to identify homogeneous segments and further estimated ECL parameters (i.e. PD, LGD and EAD) at similar granularities. To perform a historical default rate analysis, the Group has adopted two separate definitions of default for the non-retail and the retail portfolio.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

(ii) Improvement of credit risk profile (continued)

○ ***Non-retail portfolio***

The non-retail portfolio comprises of loans which are managed individually by the Relationship Managers (RMs) with oversight from the Credit Risk team of the Group. These loans are appraised at least annually based on the financial information, other qualitative information and account conduct of the customer.

A non-retail customer is identified as at default if the customer is materially delinquent for more than 90 days of any of its credit obligation. Materiality refers to 5% of the principal outstanding being past due for 90+ days is considered delinquent.

○ ***Retail portfolio***

The retail portfolio comprises of loans that are managed at a product level, and based on approved product programs. A retail account is identified as default if the customer is delinquent for more than 90 days.

The default rate analysis for the retail portfolio is performed at the account level.

(iii) ***Incorporation of forward-looking information***

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group relies on a broad range of forward looking information as economic inputs such as:

- House prices like real estate – Dubai and Abu Dhabi Index;
- Economic Composite Index (ECI);
- Non-Oil Economic Composite Index (NIECI);
- Oil Price per Barrel (OPB);
- Consumer Price Index (CPI) and
- Hotel Occupancy Dubai.

(iv) ***Modification of financial assets***

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and / or timing of the contractual cash flows either immediately or at a future date.

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

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

(iv) Modification of financial assets (continued)

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is material, the Group deems the arrangement is substantially different leading to derecognition.

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

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

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. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

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.

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. For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then 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 the consolidated statement of profit or loss. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset. For floating-rate financial

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

(v) Modification of financial assets (continued)

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 received 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.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

3.2 Interest Rate Benchmark Reform

The Group completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform) in 2023. We have successfully updated and adjusted all pre-existing contracts that were based on LIBOR to comply with the new reference rate.

3.3 Corporate tax

Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("Tax Law") was issued on 3 October 2022 and provides legislative basis for imposing federal tax on companies' resident in UAE. Per Article 69 of Tax Law, the corporation tax shall apply to tax periods commencing on or after 1 June 2023, therefore the year ended 31 December 2024 is the first taxable period for CBD and its subsidiaries.

The Group's consolidated effective tax rate in respect three months ended 31 March 2024 is 8.95%. This is broadly in line with the statutory rate of 9% prescribed by legislation.

The corporation expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year. The effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

3.4 Pillar 2

On 24 November 2023, the Ministry of Finance ("MOF") published Federal Decree Law No. (60) of 2023, amending specific provisions of the CT Law to facilitate the future introduction of domestic minimum taxes under Organisation for Economic Cooperation and Development (OECD) Pillar 2 rules.

On Friday 15 March 2024, MOF issued a public consultation document on the potential framework that the UAE will introduce to implement Pillar 2. The effective date of application of the new Pillar 2 is yet to be announced.

The CBD Group is UAE domiciled and is not expected to be captured within the Pillar 2 rules. We are closely monitoring legislative developments and will provide the necessary disclosures after further announcements are released.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these Group condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may therefore differ, resulting in future changes in these estimates. In preparing these condensed consolidated interim financial statements, judgement is exercised by management in applying the Group's accounting policies The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

(i) Credit risk management

In addition to the management of credit risk described in Note 35 b. (i) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023, the Group has identified several more vulnerable sectors to an environment with higher interest rates, and reviews are being conducted on a more frequent basis. Sectors that currently are considered more vulnerable are:

- Contracting
- Construction and Manufacturing
- Commercial Real Estate
- Trade

The Group continues to apply robust underwriting standards to companies in the above sectors, especially for any new customers. Extra measures, such as requiring additional approvals for disbursals of facilities have been implemented to ensure a high level of scrutiny over the credit management process.

The Group will continue to demonstrate sound prudence and vigor in underwriting across the retail sector whilst supporting customers and businesses across the UAE.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(i) Credit risk management (continued)

The Group exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. The Group has updated its ECL model based on the latest macro-economic data provided by Moody's.

Governance around IFRS 9 ECL models and calculations

Given the significant impact that the macro-economic scenarios and weightages will have on the Group's ECL, the Group has further strengthened its processes, controls and governance frameworks around macro-economic forecasting and the computation of ECL. The Group's IFRS 9 Committee, which reports to the Executive Management, has primary responsibility for overseeing the Group's ECL models. To ensure the ongoing integrity of ECL calculations during times of extreme uncertainty and volatility, the Group's IFRS 9 Committee exercises oversight by conducting regular reviews of the portfolio. The Committee has been closely monitoring the macro-economic inputs applied to the IFRS 9 model at the Group and has recommended changes required during the current year in the light of relevant information received. The Committee continually assess the performance of the Group's portfolio, ensuring that credit risk behaviors align with the significant increase in credit risk policy and that the staging criteria remain relevant.

(ii) Fair value measurement of financial instruments

The Group's existing policy on fair value measurement of financial instruments is disclosed in note 3.1 (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

(iii) Investment properties

The Group's existing policy on the recognition and measurement of investment properties is disclosed in note 3.6 to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

(iv) Regulatory Updates

The regulations which were issued by CBUAE to mitigate the repercussions of COVID 19 pandemic, which are still effective as at 31 March 2024 are detailed below:

- Reduction of the reserve requirements by half for CASA deposits for all banks, from 14% to 7%. As part of the CBUAE exit strategy from the Targeted Economic Support Scheme (TESS), the new ratio is currently 11% effective from 12 April 2023 and shall further be raised to 14% effective from 8th May 2024.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(iv) Regulatory Updates (continued)

- In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 5 April 2020, has allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the expected volatility due to the COVID-19 crisis. The filter allows Banks to partially add incremental ECL provisions back to their Tier 2 capital for the purpose of calculating capital adequacy ratios. Banks are however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024).

(v) Concentration analysis:

Please refer to note 9 to these Group condensed consolidated interim financial statements, which discloses the sector categorization of loans and advances as at 31 March 2024.

(vi) Sanctions and Economic Updates

A variety of sanctions have been imposed on Russia in response to the conflict in Ukraine by a number of jurisdictions, which may be broadened in the foreseeable future to include further individuals, additional entities, and a wider range of goods and services than currently targeted.

The Group has assessed the exposure to this and confirms that there are no material exposures to these jurisdictions.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS "IFRS"

Relevant new and revised IFRS applied with no material effect on the Group condensed consolidated interim financial statements.

The following new and revised IFRS have been adopted in these condensed consolidated interim financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior periods.

	Effective for annual periods beginning on or after
Classification of Liabilities as Current or Non-Current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024

6. RISK GOVERNANCE AND FINANCIAL RISK MANAGEMENT

The Group’s Risk Governance and Financial Risk Management objectives, policies and procedures are consistent with those disclosed in these Group audited consolidated financial statements as at and for the year ended 31 December 2023.

7. CASH AND BALANCES WITH CENTRAL BANK

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Cash on hand	**982,169**	841,965
Balances with Central Bank U.A.E.		
- Statutory reserves and other deposits	**9,618,864**	12,567,637
- Negotiable certificates of deposit	**1,300,000**	1,600,000
	11,901,033	15,009,602

Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, as the counterparty holds a good credit rating, the probability of default is considered to be low and hence the expected credit loss is considered to be immaterial.

8. DUE FROM BANKS, NET

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Current and demand deposits	**700,518**	1,421,606
Overnight, call and short notice	**661,167**	285,708
Loans to banks	**2,356,969**	2,067,139
Gross due from banks	**3,718,654**	3,774,453
Less: Expected credit losses	**(1,876)**	(1,744)
Net due from banks	**3,716,778**	3,772,709
Within the U.A.E.	**32,366**	31,963
Outside the U.A.E.	**3,684,412**	3,740,746
	3,716,778	3,772,709

Due from banks is classified under stage 1.

9. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET

The composition of the loans and advances and Islamic financing portfolio is as follows:

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
At Amortised Cost		
Loans and advances		
Overdrafts	**5,778,827**	6,762,575
Time loans	**66,708,709**	62,503,108
Advances against letters of credit and trust receipts	**3,592,112**	3,676,238
Bills discounted	**3,503,081**	3,426,645
Gross loans and advances	**79,582,729**	76,368,566
Islamic financing		
Murabaha and Tawaruq	**5,739,762**	5,052,626
Ijara	**6,654,191**	6,717,064
Others	**785,600**	735,808
Gross Islamic financing	**13,179,553**	12,505,498
Gross loans and advances and Islamic financing	**92,762,282**	88,874,064
Less: Expected credit losses	**(5,970,825)**	(5,560,758)
Net loans and advances and Islamic financing	**86,791,457**	83,313,306

9. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET (CONTINUED)

An analysis of IFRS 9 stage distribution of the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
At 31 March 2024 (Unaudited)				
Gross loans and advances and Islamic financing	**76,521,761**	**9,688,180**	**6,552,341**	**92,762,282**
Less: Expected credit losses	**(456,319)**	**(775,038)**	**(4,739,468)**	**(5,970,825)**
Net loans and advances and Islamic financing	**76,065,442**	**8,913,142**	**1,812,873**	**86,791,457**
At 31 December 2023 (Audited)				
Gross loans and advances and Islamic financing	73,832,602	8,325,756	6,715,706	88,874,064
Less: Expected credit losses	(435,892)	(734,474)	(4,390,392)	(5,560,758)
Net loans and advances and Islamic financing	73,396,710	7,591,282	2,325,314	83,313,306

The following is the concentration by sector for loans and advances and Islamic financing:

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Commercial and Business		
Manufacturing	**7,284,708**	6,767,339
Construction	**5,044,141**	5,860,537
Real estate	**18,384,303**	18,394,058
Trade	**10,975,631**	9,573,867
Transportation and storage	**3,291,952**	2,771,389
Services	**6,712,257**	6,290,765
Hospitality	**2,727,449**	2,782,500
Total Commercial and Business	**54,420,441**	52,440,455
Financial and insurance activities	**9,237,707**	8,688,549
Government entities	**3,003,120**	2,651,504
Personal - mortgage	**12,964,122**	12,356,828
Personal - schematic	**5,088,533**	4,950,521
Individual loans for business	**1,174,894**	1,495,293
Others	**6,873,465**	6,290,914
Gross loans and advances and Islamic financing	**92,762,282**	88,874,064
Less: Expected credit losses	**(5,970,825)**	(5,560,758)
Net loans and advances and Islamic financing	**86,791,457**	83,313,306

9. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET (CONTINUED)

An analysis of changes in the ECL is as follows:

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)
ECL allowance at the beginning of the period	**5,560,758**	4,899,621
Net impairment allowance	**309,193**	326,791
Interest / profit not recognised	**139,782**	119,971
Recoveries	**(7,734)**	(3,789)
Amounts written off	**(31,174)**	(188,025)
ECL allowance at the end of the period	**5,970,825**	5,154,569

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

The CBUAE has issued its IFRS 9 guidance addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("the guidance"). Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Allowances for impairment losses: General		
General provisions under Circular 28/2010 of CBUAE	**1,405,521**	1,332,066
Less: Stage 1 and Stage 2 provisions under IFRS 9	**1,422,891**	1,345,489
General provision transferred to the impairment reserve*	**-**	-
Allowances for impairment losses: Specific		
Specific provisions under Circular 28/2010 of CBUAE	**4,549,294**	4,216,879
Less: Stage 3 provisions under IFRS 9	**4,775,159**	4,422,002
Specific provision transferred to the impairment reserve*	**-**	-
Total provision transferred to the impairment reserve	**-**	-

*In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.

The Group has hedged the fair value of certain fixed rate loans and advances and Islamic financing. The carrying value of these loans and advances and Islamic financing is AED 15.4 million (31 December 2023: AED 18.5 million). Net negative fair value of the hedged component is AED 0.2 million (31 December 2023 net negative fair value of AED 0.2 million).

10. INVESTMENT SECURITIES, NET

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
31 March 2024 (Unaudited)				
Held at fair value through profit or loss				
Fixed rate non-government debt securities	**8,764**	**-**	**-**	**8,764**
Unquoted equity instruments	**-**	**-**	**195,025**	**195,025**
Held at fair value through other comprehensive income				
Quoted equity instruments	**54,927**	**-**	**-**	**54,927**
Unquoted equity instruments and fund	**114,785**	**-**	**3,075**	**117,860**
Fixed rate debt securities				
- Government	**2,044,190**	**614,030**	**926,193**	**3,584,413**
- Others	**806,490**	**306,188**	**1,776,100**	**2,888,778**
Floating rate non-government debt securities	**128,722**	**-**	**-**	**128,722**
Held at amortised cost				
Fixed rate debt securities				
- Government	**7,823,756**	**554,481**	**553,925**	**8,932,162**
- Others	**226,721**	**36,290**	**713,563**	**976,574**
	11,208,355	**1,510,989**	**4,167,881**	**16,887,225**
Less: Expected credit losses on amortised cost securities				**(126)**
				16,887,099

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
31 December 2023 (Audited)				
Held at fair value through profit or loss				
Fixed rate non-government debt securities	-	-	-	-
Unquoted equity instruments	-	-	161,717	161,717
Held at fair value through other comprehensive income				
Quoted equity instruments	52,991	-	-	52,991
Unquoted equity instruments and fund	115,797	-	3,075	118,872
Fixed rate debt securities				
- Government	1,990,419	556,096	913,534	3,460,049
- Others	835,082	304,195	1,814,691	2,953,968
Floating rate non-government debt securities	128,781	-	36,715	165,496
Held at amortised cost				
Fixed rate debt securities				
- Government	6,087,820	552,119	552,381	7,192,320
- Others	244,903	36,077	712,464	993,444
	9,455,793	1,448,487	4,194,577	15,098,857
Less: Expected credit losses on amortised cost securities				(128)
				15,098,729

Included in fixed and floating rate securities held at fair value through other comprehensive income and at amortised cost securities is an amount of AED 5.0 billion (31 December 2023: AED 5.3 billion), pledged under repurchase agreements with banks under short term and medium-term borrowings.

11. OTHER ASSETS, NET

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Interest receivable	**776,106**	750,601
Accounts receivable and prepayments	**280,397**	278,171
Properties acquired in settlement of debt-held for sale, net	**1,559,402**	1,354,700
	2,615,905	2,383,472

As at 31 March 2024, AED 995.0 million (31 December 2023: AED 729.3 million) are classified under stage 1 and AED 123.6 million (31 December 2023: AED 102.5 million) are under stage 2.

Properties acquired in settlement of debt were acquired in order to extinguish a loan.

12. CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Customer deposits		
Current and demand accounts	**38,288,866**	36,356,851
Savings accounts	**3,349,529**	3,476,115
Time deposits	**32,892,068**	34,095,987
	74,530,463	73,928,953
Islamic customer deposits		
Current and demand accounts	**5,297,013**	3,359,229
Mudaraba savings accounts	**455,327**	589,916
Investment and Wakala deposits	**10,058,965**	10,409,047
	15,811,305	14,358,192
Total customer deposits and Islamic customer deposits	**90,341,768**	88,287,145

The Group maintains an investment risk reserve, which represents a portion of the depositors' share of profits set aside as a reserve for AED 6.9 million (31 December 2023: AED 6.7 million).

13. NOTES AND MEDIUM TERM BORROWINGS

	Notes	31 December 2023 AED'000 (Audited)	Cash flow changes AED'000	Non cash flow changes AED'000	31 March 2024 AED'000 (Unaudited)
Syndicated loan	13.1	**623,793**	**(624,410)**	**617**	**-**
Repurchase agreements - III	13.2	**1,135,721**	**-**	**-**	**1,135,721**
Repurchase agreements - IV	13.2	**917,459**	**-**	**-**	**917,459**
Repurchase agreements - V	13.2	**916,508**	**-**	**-**	**916,508**
Medium term notes	13.3	**2,111,975**	**-**	**-**	**2,111,975**
Total		**5,705,456**	**(624,410)**	**617**	**5,081,663**

13. NOTES AND MEDIUM TERM BORROWINGS (CONTINUED)

	Notes	31 December 2022 AED'000 (Audited)	Cash flow changes AED'000	Non cash flow changes AED'000	31 March 2023 AED'000 (Unaudited)
Syndicated loan	13.1	622,823	-	239	623,062
Repurchase agreements - III	13.2	1,135,721	-	-	1,135,721
Medium term notes	13.3	275,475	-	-	275,475
Total		2,034,019	-	239	2,034,258

13.1 Syndicated loan

In August 2019, the Group entered into a club deal of USD 170 million (AED 624.4 million) for a term of 5 years with an option to roll over on a semi-annual basis maturing in August 2024. This deal has been concluded in February 2024.

13.2 Repurchase agreements

The Group entered into multiple repo transactions to obtain financing against the sale of certain debt securities. The repo transactions details are as follows:

	Purchase date	Maturity date	Price	Amount in USD (millions)	Amount in AED (millions)
Repurchase agreements - III	June 2021	June 2026	SOFR plus106 bps	309.2	1,135.7
Repurchase agreements - IV	April 2023	April 2026	SOFR plus 90 bps	249.8	917.5
Repurchase agreements - V	April 2023	April 2028	SOFR plus 99 bps	249.5	916.5

As at 31 March 2024 the fair value of the debt securities, which have been pledged under these repurchase agreements with banks, amounts to AED 3,412.2 million (USD 929 million) (31 December 2023: AED 3,768.4 million (USD 1,026.0 million)).

13.3 Medium term notes

In July 2021, CBD issued USD 50 million (AED 183.7 million) of conventional notes. These notes were transitioned to Daily compounded SOFR + 130 bps + 26.161 bps (Credit Adjustment Spread) and will mature on 8 July 2026.

In September 2021, CBD issued USD 25 million (AED 91.8 million) of conventional notes. These notes were transitioned to Daily compounded SOFR + 130 bps + 26.161 bps (Credit Adjustment Spread) and will mature on 15 September 2026.

In June 2023, CBD issued USD 500 million (AED 1.8 billion) of senior unsecured conventional green notes. These notes were priced at fixed rate of 5.319% and will mature on 14 June 2028.

14. OTHER LIABILITIES

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Accrued interest payable	**1,010,632**	1,015,482
Employees' terminal benefits	**47,863**	48,522
Accounts payable	**725,035**	692,922
Accrued expenses	**125,362**	244,791
Manager cheques	**1,207,972**	565,117
Unearned fee income and deferred credits	**43,863**	42,224
Impairment allowance on financial guarantees and loans commitments	**225,223**	204,861
Tax payable	**69,042**	-
	3,454,992	2,813,919

15. EQUITY

15.1 Share capital

The fully paid up and authorised ordinary share capital as at 31 March 2024 comprised 2,985,191,949 ordinary shares of AED 1 each (31 December 2023: 2,985,191,949 shares of AED 1 each). The movement in the number of shares during the period / year is as follows:

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
As at the beginning of the period / year	**2,985,191,949**	2,802,733,968
Bonus shares issued during the period / year	**-**	182,457,981
At the end of the period / year	**2,985,191,949**	2,985,191,949

At the Annual General Meeting of the shareholders held on 6 March 2024, the shareholders approved a cash dividend of AED 0.4438 per share for the year ended 31 December 2023 (2022: AED 0.2605 per share).

15.2 Tier 1 capital

The Group had issued USD 600 million (AED 2,203.8 million) of Tier 1 Capital Securities at a price of 6% per annum on 21 October 2020. The notes are non-callable for 6 years and are listed on Euronext Dublin and Nasdaq Dubai.

The notes are perpetual, subordinated and unsecured. The Group can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and such event will not be considered an event of default.

The accounting treatment for the securities is governed by IAS 32 Financial Instruments Presentation. As per IAS 32, the instrument qualifies as an equity instrument and the interest paid on the securities is accounted for as a deduction from retained earnings. The accounting treatment for issuing securities transaction costs are accounted for as a deduction from equity. These are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

16. OTHER OPERTING INCOME / (LOSS)

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)
Net gains from foreign exchange and derivatives	**77,566**	69,776
Net gain from investments at fair value through profit or loss	**1,168**	394
Net gain from sale of debt investments at fair value through other comprehensive income	**951**	-
Dividend income	**4,535**	4,535
Other income, net	**51,681**	59,070
	135,901	**133,775**

17. OPERATING EXPENSES

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)
Depreciation and amortisation	**12,328**	10,818
General and administrative expenses	**113,659**	102,466
Staff expenses	**189,111**	176,035
	315,098	289,319

18. NET IMPAIRMENT LOSS

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)
Net impairment charge / (reversal) on		
Due from banks	**133**	145
Investment securities	**32**	133
Loans and advances and Islamic financing	**309,193**	325,225
Other assets	**211**	78,448
Impairment allowance on financial guarantees and loans commitments	**20,362**	783
Recoveries of loans and advances and Islamic financing	**(42,883)**	(31,883)
Net impairment loss for the period	**287,048**	372,851

19. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share have been computed using the net profit (further adjusted for interest expense and transaction cost on Tier 1 capital notes) divided by the weighted average number of ordinary shares outstanding 2,985,191,949 (31 March 2023: 2,985,191,949)

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)
Net profit for the period	**700,984**	575,223
Deduct : Interest on Tier 1 capital notes	**-**	-
Deduct : Tier 1 capital notes transaction cost	**-**	-
Adjusted net profit for the period	**700,984**	575,223
Weighted average number of ordinary shares ('000)	**2,985,192**	2,985,192
Adjusted earnings per share (AED)	**0.23**	0.19

Diluted earnings per share for the three-month period ended 31 March 2024 and 31 March 2023 are equivalent to basic earnings per share as Group has not issued any financial instruments that should be taken into consideration as it would impact earnings per share when executed.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in these Group condensed consolidated interim statement of cash flows comprise the following Group's condensed consolidated interim statement of financial position amounts. The Group has reclassified cash and cash equivalents for the comparative periods.

20. CASH AND CASH EQUIVALENTS (continued)

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)
Cash on hand	**982,169**	880,286
Statutory reserves and other deposits	**9,618,864**	11,810,901
Negotiable certificates of deposit with the Central Bank U.A.E.	**1,300,000**	1,950,000
Due from banks	**3,718,654**	2,931,438
	15,619,687	17,572,625
Less: Negotiable certificates of deposit with the Central Bank U.A.E. with original maturity more than three months	**(1,300,000)**	(1,950,000)
Less: Due from banks with original maturity of more than three months	**(2,540,619)**	(942,428)
	11,779,068	14,680,197

21. CONTINGENT LIABILITIES AND UNDRAWN COMMITMENTS

Contingent liabilities represent credit-related commitments to extend letters of credit and guarantees which are designed to meet the requirements of the Group's customers toward third parties. Undrawn commitments represent the Group's commitments towards approved un-drawn credit facilities. The amount of contingent liabilities reflected below represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Contingent liabilities:		
Letters of credit	**3,374,472**	3,032,725
Letters of guarantee	**16,882,100**	16,801,181
Total contingent liabilities	**20,256,572**	19,833,906
Undrawn commitments to extend credit	**29,116,315**	27,037,144
Capital expenditure commitments	**240,423**	245,766
Commitments for future private equity investments	**46,171**	46,171
Total contingent liabilities and undrawn commitments	**49,659,481**	47,162,987

In the normal course of business, certain litigations were filed by or against the Group. However based on management assessment, none of the litigations have a material impact on the Group's financial results.

The Group seeks to comply with all applicable laws by which it is governed and is not aware of any material fines or penalties that warrant disclosure in the financial statements.

22. SEGMENTAL REPORTING

The Group uses business segments for presenting its segment information, which is based on the Group's management and internal reporting structure that are regularly reviewed by the Executive Committee in order to allocate resources to the segment and to assess its performance.

The business segments pay to and receive interest from the Treasury to reflect the allocation of funding costs. Interest is charged or credited to business segments and branches to match funding at transfer pricing rates which approximate the cost of funds.

The presentation of segmental reporting for the year ended 31 March 2023 has been changed to comply with the presentation for the current period.

Business segments

Institutional banking	Includes loan and other credit facilities, deposits, trade finance products and e-commerce solutions to institutional clients (including Government related entities).
Corporate banking	Includes loans, working capital financing, trade finance and deposits products to corporate (mid-sized and emerging) clients.
Personal banking	Includes current accounts, easy access saving accounts, fixed rate deposit accounts, personal loans, overdraft facilities, vehicle finance, mortgage products, loans and other credit facilities to retail clients. It also includes the enterprise wide liabilities unit serving non-borrowing wholesale and small business clients.
Trading & other	Undertakes balance sheet management deals and manages the Group's proprietary investment portfolio. It also has derivatives for trading and risk management purposes.

Geographical

The Group operates in one geographic area, the United Arab Emirates.

	Institutional banking AED'000	Corporate banking AED'000	Personal banking AED'000	Trading & Other AED'000	Total AED'000
31 March 2024 (Unaudited)					
Assets	**38,117,043**	**45,037,962**	**17,759,257**	**30,062,166**	**130,976,428**
Liabilities	**45,827,775**	**17,703,124**	**38,454,778**	**13,852,830**	**115,838,507**
31 December 2023 (Audited)					
Assets	36,594,853	43,387,782	17,188,948	31,815,908	128,987,491
Liabilities	47,531,978	17,075,163	35,087,923	13,511,070	113,206,134

22. SEGMENTAL REPORTING (CONTINUED)

	Institutional banking AED'000	Corporate banking AED'000	Personal banking AED'000	Trading & Other AED'000	Total AED'000
31 March 2024 (Unaudited)					
Net interest income and net income from Islamic financing	**215,554**	**300,495**	**351,946**	**91,325**	**959,320**
Non-interest and other income	**100,409**	**98,809**	**155,115**	**58,589**	**412,922**
Total operating income	**315,963**	**399,304**	**507,061**	**149,914**	**1,372,242**
Operating expenses / (income)	**68,383**	**79,147**	**188,596**	**(21,028)**	**315,098**
Net Impairment loss	**149,020**	**113,302**	**(19,249)**	**43,975**	**287,048**
	217,403	**192,449**	**169,347**	**22,947**	**602,146**
Net profit for the period before income tax expense	**98,560**	**206,855**	**337,714**	**126,967**	**770,096**
Income tax expense	**8,821**	**18,513**	**30,224**	**11,554**	**69,112**
Net profit for the period	**89,739**	**188,342**	**307,490**	**115,413**	**700,984**
31 March 2023 (Unaudited)					
Net interest income and net income from Islamic financing	174,220	286,668	291,918	135,886	888,692
Non-interest and other income	101,399	93,541	96,564	57,197	348,701
Total operating income	275,619	380,209	388,482	193,083	1,237,393
Operating expenses	55,191	55,346	158,473	20,309	289,319
Net Impairment loss	133,619	139,123	21,529	78,580	372,851
	188,810	194,469	180,002	98,889	662,170
Net profit for the period before income tax expense	86,809	185,740	208,480	94,194	575,223
Income tax expense	-	-	-	-	-
Net profit for the period	86,809	185,740	208,480	94,194	575,223

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

	External Parties		**Inter-segment**	
	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)	**31 March 2024 AED'000 (Unaudited)**	31 March 2023 AED'000 (Unaudited)
Institutional banking	**235,712**	170,736	**80,251**	104,883
Corporate banking	**851,063**	720,660	**(451,759)**	(340,451)
Personal banking	**257,710**	188,866	**249,351**	199,616
Trading & Other	**27,757**	157,131	**122,157**	35,952
Total operating income	**1,372,242**	1,237,393	**-**	-

23. FINANCIAL ASSETS AND LIABILITIES

23.1 Financial asset and liabilities classification

The table below set out the Group's financial assets and liabilities classification:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
31 March 2024 (Unaudited)				
Cash and balances with Central Bank	**-**	**-**	**11,901,033**	**11,901,033**
Due from banks, net	**-**	**-**	**3,716,778**	**3,716,778**
Loans and advances and Islamic financing, net	**-**	**-**	**86,791,457**	**86,791,457**
Investment securities, net	**203,789**	**6,774,700**	**9,908,610**	**16,887,099**
Bankers acceptances	**-**	**-**	**7,456,569**	**7,456,569**
Positive mark to market value of derivatives	**805,704**	**-**	**-**	**805,704**
Other assets, net	**-**	**-**	**861,733**	**861,733**
Total financial assets	**1,009,493**	**6,774,700**	**120,636,180**	**128,420,373**
Due to banks	**-**	**-**	**8,772,997**	**8,772,997**
Customer deposits and Islamic customer deposits	**-**	**-**	**90,341,768**	**90,341,768**
Notes and medium term borrowing	**-**	**-**	**5,081,663**	**5,081,663**
Due for trade acceptances	**-**	**-**	**7,456,569**	**7,456,569**
Negative mark to market value of derivatives	**730,518**	**-**	**-**	**730,518**
Other liabilities	**-**	**-**	**3,411,129**	**3,411,129**
Total financial liabilities	**730,518**	**-**	**115,064,126**	**115,794,644**

23. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

23.1 Financial asset and liabilities classification (continued)

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
31 December 2023 (Audited)				
Cash and balances with Central Bank	-	-	15,009,602	15,009,602
Due from banks, net	-	-	3,772,709	3,772,709
Loans and advances and Islamic financing, net	-	-	83,313,306	83,313,306
Investment securities, net	161,717	6,751,376	8,185,636	15,098,729
Bankers acceptances	-	-	7,931,518	7,931,518
Positive mark to market value of derivatives	697,872	-	-	697,872
Other assets, net	-	-	865,074	865,074
Total financial assets	859,589	6,751,376	119,077,845	126,688,810
Due to banks	-	-	7,833,389	7,833,389
Customer deposits and Islamic customer deposits	-	-	88,287,145	88,287,145
Notes and medium term borrowing	-	-	5,705,456	5,705,456
Due for trade acceptances	-	-	7,931,518	7,931,518
Negative mark to market value of derivatives	634,707	-	-	634,707
Other liabilities	-	-	2,771,695	2,771,695
Total financial liabilities	634,707	-	112,529,203	113,163,910

23.2 Fair value measurement – fair value hierarchy:

The table below shows categorization of fair value of financial assets and liabilities into different levels of the fair value hierarchy.

Different level of fair value hierarchy have been defined as follows:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable inputs, 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; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Except for financial assets and liabilities specified in the below table, the fair value of financial assets and liabilities is not materially different from their carrying value.

23. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

23.2 Fair value measurement – fair value hierarchy: (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
31 March 2024 (Unaudited)				
Investments				
Equity instruments and funds	**54,927**	**114,785**	**198,100**	**367,812**
Fixed and floating rate securities	**5,677,010**	**933,667**	**-**	**6,610,677**
Positive market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	**-**	**805,509**	**-**	**805,509**
Held for fair value hedge	**-**	**195**	**-**	**195**
Held for cash flow hedge	**-**	**-**	**-**	**-**
Negative market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	**-**	**(727,290)**	**-**	**(727,290)**
Held for fair value hedge	**-**	**(3,228)**	**-**	**(3,228)**
Held for cash flow hedge	**-**	**-**	**-**	**-**
	5,731,937	**1,123,638**	**198,100**	**7,053,675**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
31 December 2023 (Audited)				
Investments				
Equity instruments and funds	52,991	115,797	164,792	333,580
Fixed and floating rate securities	5,649,712	929,801	-	6,579,513
Positive market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	-	697,650	-	697,650
Held for fair value hedge	-	222	-	222
Held for cash flow hedge	-	-	-	-
Negative market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	-	(631,473)	-	(631,473)
Held for fair value hedge	-	(3,234)	-	(3,234)
Held for cash flow hedge	-	-	-	-
	5,702,703	1,108,763	164,792	6,976,258

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

During the period, there were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the current or prior period.

24. RELATED PARTY TRANSACTIONS AND BALANCES

As at 31 March 2024 and 31 December 2023, the Investment Corporation of Dubai ("ICD") owns 20% share capital of the Group. ICD is a wholly-owned entity by the Government of Dubai (the "Government"). The Group applies the exemption in IAS 24 Related Party Disclosures that allows to present reduced related party disclosures regarding transactions with government related parties.

The Group in the ordinary course of business enters into transactions with major shareholders, directors, key management personnel and their related entities. The terms of these transactions are approved by the Group's Board of Directors. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties.

	Directors and key management personnel		Government related parties		Other related parties	
	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)	**31 March 2024 AED'000 (Unaudited)**	31 December 2023 AED'000 (Audited)	**31 March 2024 AED'000 (Unaudited)**	31 December 2023 AED'000 (Audited)
Due from banks	**-**	-	**73,460**	73,460	**-**	-
Loans and advances and Islamic financing	**77,314**	103,382	**1,032,002**	1,073,800	**1,833,308**	2,174,448
Investment securities, net	**-**	-	**554,883**	551,331	**-**	-
Bankers acceptances	**-**	-	**4,536**	27,615	**106,778**	40,987
Letters of credit	**-**	-	**1**	5,082	**202,264**	211,062
Letters of guarantee	**-**	-	**146,011**	148,674	**39,630**	123,966
Undrawn commitments to extend credit	**7,566**	58,095	**1,212,957**	1,213,161	**414,899**	284,167
Due to banks	**-**	-	**48,337**	46,788	**-**	-
Customer deposits and Islamic customer deposits	**167,675**	112,365	**4,081,767**	3,928,062	**1,123,086**	1,062,602

	31 March 2024 AED'000 (Unaudited)	31 March 2023 AED'000 (Unaudited)	**31 March 2024 AED'000 (Unaudited)**	31 March 2023 AED'000 (Unaudited)	**31 March 2024 AED'000 (Unaudited)**	31 March 2023 AED'000 (Unaudited)
Interest income and commission income	**1,519**	2,212	**11,420**	20,238	**37,660**	39,726
Interest expense	**748**	348	**52,064**	36,892	**13,719**	353

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Other related parties represents major shareholders and parties related to directors, key management personnel.

Sitting fees paid to directors for attending committee meetings during the three-month period ended 31 March 2024 amounted to AED 630 thousand (31 March 2023: AED 620 thousand).

24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Directors' remuneration paid during the period amounted to AED 23.0 million (31 December 2023: AED 23.0 million).

Key management compensation	**31 March 2024 AED'000 (Unaudited)**	31 March 2023 AED'000 (Unaudited)
Salaries	**6,815**	5,869
Post-employment benefits	**281**	432
Other benefits	**68,337**	19,682

25. CAPITAL ADEQUACY

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

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

- CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.
- AT1 capital comprises eligible non-common equity capital instruments.
- Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The table below summarizes the composition of regulatory capital and the ratios of the Group as per Basel III guidelines and has complied with all of the externally imposed capital requirements to which it is subject.

As per the Central Bank U.A.E. regulation for Basel III, the capital requirement as at 31 March 2024 is 13% inclusive of capital conservation buffer of 2.5%. The Group has also applied the standards issued vide its circular dated 12 November 2020 and 30 December 2022 by the CBUAE which includes additional Guidance on the topics of Credit Risk, Market Risk, Operational Risk, Equity Investment in Funds (EIF), Counter Party Credit Risk (CCR) and Credit Value Adjustment (CVA). The Standards support the implementation of the "Regulations re Capital Adequacy" (Circular 52/2017).

25. CAPITAL ADEQUACY (CONTINUED)

	31 March 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Common equity tier 1 (CET1) capital		
Share capital	**2,985,192**	2,985,192
Legal and statutory reserve	**1,492,596**	1,492,596
General reserve and other reserves	**1,366,663**	1,366,663
Retained earnings	**7,633,411**	6,960,603
Accumulated other comprehensive income	**(543,008)**	(550,354)
IFRS transitional arrangement	**73,531**	108,425
	13,008,385	12,363,125
Regulatory deductions and adjustments	**(161,224)**	(159,903)
Total CET1 capital	**12,847,161**	12,203,222
Additional tier 1 (AT1) Capital	**2,203,800**	2,203,800
Tier 1 capital	**15,050,961**	14,407,022
Tier 2 capital		
Eligible general provision	**1,171,267**	1,110,055
Tier 2 capital	**1,171,267**	1,110,055
Total regulatory capital	**16,222,228**	15,517,077
Risk weighted assets (RWA)		
Credit risk	**93,701,368**	88,804,371
Market risk	**1,162,614**	1,038,385
Operational risk	**8,671,277**	7,458,217
Risk weighted assets	**103,535,259**	97,300,973
Tier 1 ratio	**14.54%**	14.81%
Tier 2 ratio	**1.13%**	1.14%
Capital adequacy ratio	**15.67%**	15.95%

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in these Group condensed consolidated interim financial statements, the effect of which are considered immaterial.