Bank of Sharjah P.J.S.C.

Board of Directors' report and consolidated financial statements for the year ended 31 December 2023

Bank of Sharjah P.J.S.C.

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Board of Directors' report

The Board has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2023.

INCORPORATION AND REGISTERED OFFICE

Bank of Sharjah P.J.S.C. (the "Bank") is a Public Joint Stock Company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness the Ruler of Sharjah and was registered in February 1993 under Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced operations under a banking license issued from United Arab Emirates Central Bank dated 26 January 1974.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates.

PRINCIPAL ACTIVITIES

The Bank's principal activities are commercial and investment banking.

RESULTS

The net loss for the year ended 31 December 2023 amounted to AED 275 million (2022: AED 159 million) due mainly to a one-off impairment loss amounting to AED 199 million as a result of de-consolidating the Lebanese subsidiary effective 1 April 2023. The total comprehensive loss for the year ended 31 December 2023 amounted to AED 711 million (2022: AED 12 million).

The total equity as at 31 December 2023 amounted to AED 3,506 million (2022: AED 1,494 million).

The detailed results are set out in the attached consolidated financial statements.

GOING CONCERN BASIS

Based on the above assessment the Board of Directors is comfortable that the Group has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2023.

TRANSACTIONS WITH RELATED PARTIES

The consolidated financial statements disclose related party transactions and balances in note 33. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

AUDITORS

Grant Thornton Audit and Accounting Limited Corporation (Dubai Branch) were appointed as external auditors for the Group for the year ended 31 December 2023. A shareholder's resolution is proposed to absolve them of their responsibility for the year ended 31 December 2023.

DIRECTORS

The Directors during the year were:

1. Sheikh Mohammed Bin Saud Al Qasimi (Chairman)
2. Sh. Saif Bin Mohammed Bin Butti Al Hamed (Vice Chairman)
3. Mrs. Arwa Al Owais
4. Mr. Talal Al Midfa
5. Mr. Abdul Aziz Al Hasawi
6. Mr. Mubarak Al Besharah
7. Mr. Salem Al Ghammai
8. Mr. Salah Ahmed Abdalla Al Noman
9. Mr. Abdulla Sherif Al Fahim
10. Mr. Amer Abdulaziz Khansaheb
11. Mr. Waleed Ibrahim AlSayegh

On behalf of the Board

Mohammed Bin Saud Al Qasimi
Chairman

Grant Thornton

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bank of Sharjah PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Description of key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Measurement of expected credit loss (“ECL”) on loans and advances to customers</td></tr>
<tr><td>The Group applies Expected Credit Losses ("ECL") model on its financial instruments measured at amortized cost. The Group exercises significant judgements and makes a number of assumptions which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), adjusted for the forward-looking information, and exposure at default ("EAD") associated with the underlying financial assets.

The Group applies significant judgements and makes a number of assumptions in developing ECL models and applying staging criteria and forward economic adjustments for calculating impairment provisions.

ECL models are naturally subject to limitations. These limitations are addressed with management judgmental adjustments on specific credit exposures, the measurement of which is inherently judgmental and subject to a high level of estimation uncertainty, including consideration of regulatory provision requirements.

The Group's determination of impairment allowances for loans and advances to customers require management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL), this includes manual staging adjustments allowed as per the Group's policies, where appropriate.

Note (4.1) of the Group's consolidated financial statements explains the accounting policies applied when determining the ECL and note (36) provides the risk management disclosures relating to ECL.</td><td>We have performed the following audit procedures on the measurement of ECL on loans and advances to customers included in the Group's consolidated financial statements for the year ended 31 December 2023:
➢ we have obtained understanding of the control environment associated with the process of estimation of ECL and assessed the design and tested the operating effectiveness of controls in that process;
➢ we have tested the completeness and accuracy of the data used in the calculation of ECL;
➢ for a sample of exposures, we have checked the appropriateness of the Group's application of the staging criteria and staging adjustments;
➢ we have involved our IFRS 9 experts to assess the following areas:
• conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9.
• ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) including reasonableness of the assumptions.
• the appropriateness of the macro-economic variables, multiple economic scenarios chosen and scenario weightings.
➢ for the Stage 3 portfolio we have assessed the appropriateness of the provisioning assumptions for a sample of corporate exposures selected on the basis of risk and the significance of individual exposures. This included assessing, on a sample basis, the appropriateness of consideration of repayments and collateral valuations, by involving our property valuation experts;
➢ we have assessed the appropriateness of the significant assumptions used in certain management judgmental adjustments, including management’s consideration of regulatory provision requirements; and
➢ we have inspected the disclosures in the consolidated financial statements to assess their compliance with the requirements in IFRS 7 and IFRS 9.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Description of key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Classification and measurement of wholly owned subsidiary namely 'Emirates Lebanon Bank S.A.L.' (the 'Subsidiary') as held for sale under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'</td></tr>
<tr><td>The Group has classified its wholly owned Subsidiary, namely Emirates Lebanon Bank S.A.L. (the 'Subsidiary') as held for sale.

The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification in order to meet the condition for classification as held for sale under IFRS 5 (subject to limited exceptions).

Additionally, once classified in this category, the group of assets and liabilities for the Subsidiary are measured at the lower of carrying amount and fair value less costs to sell. On classification as held for sale, if the fair value less cost to sell is less than the carrying amount, an impairment loss is recognized in the consolidated financial statements. The determination and subsequent measurement of fair value less cost to sell is an estimate and requires significant judgement.

Note (2.1) of the Group's consolidated financial statements explains the accounting policy for the Subsidiary held for sale provides the disclosure related to the Subsidiary held for sale.</td><td>We have performed the following audit procedures on the classification and measurement of the Subsidiary as held for sale included in the Group's consolidated financial statements for the year ended 31 December 2023:
➢ we have held inquiries with management and those charged with governance regarding the Group's progress in relation to sale of the Subsidiary;
➢ we have assessed the management's activity since the date of classification of the Subsidiary and action taken to progress the sale of the Subsidiary, specifically we have performed the following procedures:
• we have sighted the decision whereby the board of directors approved the delinking of the Subsidiary.
• we have sighted the approval by the regulator to delink the Subsidiary. We sighted supplementary correspondence from the regulator affirming their approval for the delinking of the Subsidiary in light of the geopolitical risks in the geographic region of the Subsidiary.
• we have sighted letter(s) of intent received from potential buyer(s) to acquire the Subsidiary at the offer value(s). We have sighted supplementary correspondence from potential buyer(s) confirming their continued intention to acquire the Subsidiary at unchanged offer value(s).
• we have sighted documentation that demonstrates the bank is in advanced stages of appointing an exclusive advisor to facilitate the sale of the Subsidiary and provide further necessary transaction related support.
➢ we have assessed the financial capability of the potential buyer(s) to execute the acquisition of the Subsidiary, based on their most recent publicly available financial information;
➢ we have assessed the mathematical accuracy of management's calculations and determination of measurement of the Subsidiary on initial recognition and on an on-going basis. We have assessed the appropriateness of the related accounting entries; and
➢ we have inspected the disclosures in the consolidated financial statements to assess their compliance with the requirements in IFRS 5.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

The Board of Directors of the Group are responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report and the Management Discussion and Analysis 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 except for the financial information given in the Board of Directors' report, and accordingly 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 Annual Report and the Management Discussion and Analysis Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

From the matters communicated with 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 and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

i) We have obtained all the information we considered necessary for the purposes 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 Decree Law No. (32) of 2021;
iii) The Group has maintained proper books of account in accordance with established accounting principles;
iv) The financial information included in the Board of Directors' report is consistent with the books of account of the Group;
v) As disclosed in note (9) to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2023;
vi) Note (33) to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
vii) 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, during the year ended 31 December 2023, contravened any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

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

Grant Thornton

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

GRANT THORNTON UAE

Dr. Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates

28 March 2024

Consolidated statement of financial position
As at 31 December

	Notes	2023 AED'000	2022 AED'000
ASSETS			
Cash and balances with central banks	6	**4,558,295**	3,949,107
Deposits and balances due from banks	7	**618,633**	113,897
Loans and advances, net	8	**22,067,850**	21,623,267
Investments measured at fair value	9	**359,472**	434,308
Investments measured at amortised cost	9	**7,367,938**	7,335,160
Investment properties	10	**1,102,753**	1,158,109
Other intangible assets	12	**-**	22,055
Assets acquired in settlement of debts	11	**1,078,084**	1,227,821
Other assets	13	**1,252,050**	1,254,145
Derivative assets held for risk management	14	**202**	6,388
Properties and equipment	15	**209,613**	278,074
Subsidiary held for sale	2.1	**844,790**	-
Total assets		**39,459,680**	37,402,331
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	16	**26,342,597**	25,281,131
Deposits and balances due to banks	17	**1,916,341**	662,333
Repo borrowings	18	**1,702,312**	5,003,552
Other liabilities	19	**1,987,917**	1,901,538
Issued bonds	20	**4,004,998**	3,059,421
Total liabilities		**35,954,165**	35,907,975
Equity			
Capital and reserves			
Share capital	21	**3,000,000**	2,200,000
Statutory reserve	21	**1,050,000**	1,050,000
Contingency reserve	21	**-**	640,000
Impairment reserve	8 (b) & 21	**190,316**	147,624
Investment fair value reserve		**(754,382)**	(706,370)
Currency translation reserve	2	**(386,675)**	(1,911,502)
Retained earnings		**404,932**	71,551
Equity attributable to equity holders of the Bank		**3,504,191**	1,491,303
Non-controlling interests		**1,324**	3,053
Total equity		**3,505,515**	1,494,356
Total liabilities and equity		**39,459,680**	37,402,331

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, financial performance and consolidated cash flows of the Group as of, and for the year ended 31 December 2023. The consolidated financial statements of the Group were approved by the Board of Directors and authorised for issue on **28 March 2024**

Mohammed Bin Saud Al Qasimi
Chairman

Mohamed Khadiri
CEO

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss for the year ended 31 December

	Notes	2023 AED'000	2022 AED'000
Interest income	25	**1,762,319**	1,136,534
Interest expense	26	**(1,538,396)**	(767,117)
Net interest income		**223,923**	369,417
Net fee and commission income	27	**177,044**	233,175
Exchange profit		**15,188**	31,657
(Loss)/income on investments	28	**(52,185)**	14,175
Net (loss)/income on properties		**(100,332)**	98,113
Other income		**7,053**	1,438
Operating income		**270,691**	747,975
Net impairment reversal/(loss) on financial assets	29	**2,189**	(291,441)
Net operating income		**272,880**	456,534
Personnel expenses	30	**(179,616)**	(161,529)
Depreciation	15&30	**(23,576)**	(31,874)
Other expenses	30	**(127,420)**	(107,727)
Impairment/ Amortisation of intangible assets	12	**(18,365)**	(1,230)
Hyperinflation impact from a subsidiary		**-**	(312,436)
Net impairment charge on subsidiary held for sale	2.1	**(199,153)**	-
Loss before taxes		**(275,250)**	(158,262)
Income tax expense – overseas	31	**-**	(506)
Net loss for the year		**(275,250)**	(158,768)
Attributable to:			
Equity holders of the Bank		**(273,521)**	(154,485)
Non-controlling interests		**(1,729)**	(4,283)
Net loss for the year		**(275,250)**	(158,768)
Basic and diluted loss per share (AED)	22	**(0.10)**	(0.07)

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December

	2023 AED'000	2022 AED'000
Net loss for the year	**(275,250)**	(158,768)
Other comprehensive loss items		
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Net changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	**(49,008)**	(31,604)
Net changes in fair value of own credit risk on financial liabilities (Note 20)	**-**	6,526
	(49,008)	(25,078)
Items that may be reclassified subsequently to consolidated statement of profit or loss:		
Translation differences	**-**	171,546
Translation differences from a subsidiary held for sale	**(386,675)**	-
Other comprehensive (loss)/ income for the year	**(435,683)**	146,468
Total comprehensive loss for the year	**(710,933)**	(12,300)
Attributable to:		
Equity holders of the Bank	**(709,204)**	(8,017)
Non-controlling interests	**(1,729)**	(4,283)
Total comprehensive loss for the year	**(710,933)**	(12,300)

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

	Share capital AED'000	Statutory reserve AED'000	Contingency reserve AED'000	Impairment reserve AED'000	Investment fair value reserve AED'000	Currency translation reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Equity attributable to equity holders of the bank AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance as at 1 January 2022	**2,200,000**	**1,050,000**	**640,000**	**220,972**	**(681,292)**	**(2,083,048)**	**57,404**	**1,404,036**	**7,336**	**1,411,372**
Prior year adjustment	-	-	-	-	-	-	(456)	(456)	-	(456)
Net loss for the year	-	-	-	-	-	-	(154,485)	(154,485)	(4,283)	(158,768)
Other comprehensive income for the year	-	-	-	-	(25,078)	171,546	-	146,468	-	146,468
Total comprehensive loss for the year	-	-	-	-	**(25,078)**	**171,546**	**(154,941)**	**(8,473)**	**(4,283)**	**(12,756)**
Hyperinflation impact	-	-	-	-	-	-	95,740	95,740	-	95,740
Transfer from impairment reserve (Note 8 (b))	-	-	-	(73,348)	-	-	73,348	-	-	-
Balance as at 31 December 2022	**2,200,000**	**1,050,000**	**640,000**	**147,624**	**(706,370)**	**(1,911,502)**	**71,551**	**1,491,303**	**3,053**	**1,494,356**
Net loss for the year	-	-	-	-	-	-	(273,521)	(273,521)	(1,729)	(275,250)
Other comprehensive loss for the year	-	-	-	-	(49,008)	(386,675)	-	(435,683)	-	(435,683)
Total comprehensive loss for the year	-	-	-	-	(49,008)	(386,675)	(273,521)	(709,204)	(1,729)	(710,933)
Subsidiary held for sale adjustment (Note 2.1)	-	-	-	-	996	1,911,502	9,594	1,922,092	-	1,922,092
Transfer to share capital	800,000	-	-	-	-	-	-	800,000	-	800,000
Transfer to/ (from) retained earnings (Note 8 (b) &21)	-	-	(640,000)	42,692	-	-	597,308	-	-	-
Balance as at 31 December 2023	**3,000,000**	**1,050,000**	**-**	**190,316**	**(754,382)**	**(386,675)**	**404,932**	**3,504,191**	**1,324**	**3,505,515**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December

	Notes	2023 AED'000	2022 AED'000
Cash flows from operating activities			
Net loss before tax for the year		**(275,250)**	(158,262)
Adjustments for:			
Depreciation of properties and equipment	15&30	**23,576**	31,874
Gain/ (loss) on sale of properties and equipment		**(2,619)**	830
Hyperinflationary and foreign currency adjustments on properties and equipment		**-**	(12,562)
Impairment of other intangibles	12	**18,365**	1,230
Hyperinflationary and foreign currency adjustments on other intangibles		**-**	(1,210)
Net charges of provisions for expected credit losses on financial assets and cash	29	**196,964**	349,356
Foreign currency adjustments on provisions for expected credit losses on financial assets	29	**-**	(26,776)
Accretion of premium on debt instruments		**(39,166)**	(1,183)
Unrealised fair value losses on financial assets at fair value through profit or loss	28	**22,321**	21,580
Realised gain on disposal of financial assets at fair value through profit or loss	28	**-**	(1,778)
Provision for employees' end of service benefits	19.1	**13,230**	11,143
Interest on lease liabilities		**-**	2,746
Gain/ (loss) on sale on assets acquired in settlement of debts		**91**	(1,076)
Net fair value loss on issued debt securities		**-**	4,839
Net fair value gain on interest rate swaps		**-**	(4,839)
Fair value loss/ (gain) on revaluation of investment properties	10&15	**55,356**	(66,198)
Unrealized loss/ (gain) on assets acquired in settlement of debts	11	**43,428**	(8,745)
Dividends income	28	**(13,193)**	(33,977)
Loss on monetary position		**-**	312,436
Operating profit before changes in operating assets and liabilities		**43,103**	419,428
Changes in:			
Deposits and balances due from banks maturing after three months from dates of placements		**(534,389)**	1,439,349
Statutory deposits with central banks		**(226,108)**	207,883
Loans and advances		**741,059**	(617,760)
Derivative assets and liabilities held for risk management		**-**	(6,227)
Other assets		**289,399**	16,026
Customers' deposits		**(1,430,372)**	(726,288)
Other liabilities		**(86,898)**	(149,862)
		(1,204,206)	582,549
Payments of provision for employees' end of service benefits	19.1	**-**	(1,611)
Income taxes paid during the year		**-**	(506)
Cash (used in)/ generated from operations		**(1,204,206)**	580,432
Cash flows from investing activities			
Purchase of properties and equipment	15	**(8,894)**	(18,046)
Proceeds from sale of properties and equipment		**6,977**	-
Payments to purchase financial assets at amortised cost, FVTPL and FVOCI		**(120,197)**	(77,781)
Proceeds from sale/maturities of financial assets at amortised cost, FVTPL and FVOCI		**175,746**	64,095
Additions to assets acquired in settlement of debts	11	**-**	(493)
Additions to investment properties	10	**-**	(12,641)
Proceeds from sale of investment properties		**-**	12,273
Proceeds from sale of assets acquired in settlement of debts		**58,005**	203,371
Dividends received	28	**13,193**	33,977
Cash generated from investing activities		**124,830**	204,755

Consolidated statement of cash flows (continued)
for the year ended 31 December

	Notes	2023 AED'000	2022 AED'000
Cash flows from financing activities			
Settlements of issued bonds		-	(2,746,357)
Proceeds from issued bonds		**1,808,732**	459,125
(Repayment)/ Proceeds from repo borrowings		**(1,598,929)**	4,188,576
Partial settlement of bonds		**(852,017)**	-
Capital injection		**800,000**	-
Payment of lease liabilities		-	(14,293)
Cash generated from financing activities		**157,786**	**1,887,051**
Net (decrease)/ increase in cash and cash equivalents during the year		**(921,590)**	**2,672,238**
Cash and cash equivalents at the beginning of the year	6	**3,316,606**	689,518
Effect of changes in exchange rates during the year on cash inflows and cash outflows during the year		-	(45,150)
Cash and cash equivalents at the end of the year	6	**2,395,016**	**3,316,606**

1 General information

Bank of Sharjah P.J.S.C. (the "Bank"), is a public joint stock company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness The Ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced its operations under a banking license issued by the United Arab Emirates Central Bank dated 26 January 1974. The Bank is engaged in commercial and investment banking activities.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through six branches in the United Arab Emirates located in the Emirates of Sharjah, Dubai, Abu Dhabi, and City of Al Ain. The accompanying consolidated financial statements combine the activities of the Bank and its subsidiaries (collectively the "Group"), as listed in Note 32.

2. Basis of preparation

2.1 Subsidiary held for sale

The Central Bank of the UAE supports the Bank's strategic effort to delink/deconsolidate its Lebanese Subsidiary, as the underlying accounting anomalies impact is not sustainable for the Bank and pose a threat for even greater unnecessary volatility. Accordingly, the ultimate immediate objective was to cease the consolidation of the Lebanese Subsidiary financial statements in the Group's financial statements as per the Central Bank of the UAE recommendations effective 1 April 2023. This is required in order to avoid the unnecessary accounting anomalies and/or disruptions resulting from the consolidation of the Lebanese Subsidiary. On 22 June 2023, the board approved the de-linking.

When the Group classifies the Lebanese subsidiary as an "asset held for sale" involving loss of control and the sale is highly probable within 12 months, all the assets and liabilities of that subsidiary are classified as held for sale. Once classified in this category, the group of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell. If the group of assets and liabilities becomes impaired, an impairment loss is recognised in the consolidated statement of profit and loss. Impairment losses may be reversed. The fair value less cost to sell estimate is a significant judgement and it is determined based on the market offer approach.

The breakdown of the Lebanese subsidiary's net assets as at 1 April 2023 is as follows:

ASSETS	**AED'000**
Cash and balances with central banks	**2,892,460**
Deposits and balances due from banks	**10,497**
Loans and advances, net	**1,090,017**
Investments measured at fair value	**29,567**
Investments measured at amortised cost	**43,344**
Other intangibles	**345**
Assets acquired in settlement of debt	**79,641**
Other assets	**17,989**
Property and equipment	**6,040**
Total assets	**4,169,900**
LIABILITIES	
Customers' deposits	**2,318,968**
Deposits and balances due to banks	**617,261**
Other liabilities	**189,728**
Total liabilities	**3,125,957**
Net assets	**1,043,943**
Fair value of net assets	**844,790**

2. Basis of preparation (continued)

2.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB) and applicable requirements of the laws of the U.A.E.

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

Basis of measurement - The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values as explained in the accounting policies below.

Functional and presentation currency - The consolidated financial statements are presented in United Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands' dirham, except when otherwise indicated.

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

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

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. This includes circumstances in which protective rights (e.g. more from a lending relationship) becomes substantive and lead to the Bank having power over as investee. When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributable to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

2. Basis of preparation (continued)

2.2 Basis of preparation (continued)

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Group. When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 (IFRS 9 Financial instruments) issued in 2010, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3 Application of other new and revised International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB)

3.1 Standards and Interpretations in issue and effective

During the current year, the Group has applied the amendments to IAS 1, IAS 12 and IAS 8. The application of these amendments to IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

Other than the above, there are no other significant IFRS Accounting Standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2023.

3.2 Standards and Interpretations in issue but not yet effective

New standards and significant amendments to standards applicable to the Group:	**Effective for annual periods beginning on or after**
Lease liability in a sale and leaseback (amendments to IFRS 16) – the amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	1 January 2024
Non-current liabilities with covenants (amendments to IAS 1) – the amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024
Classification of liabilities as current or non-current – amendments to IAS 1.	1 January 2024
Supplier finance arrangements – amendments to IAS 7 and IFRS 7.	1 January 2024
Lack of exchangeability – amendments to IAS 21.	1 January 2025
Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in associate and joint venture'.)	Effective date deferred indefinitely, available for early adoption.

The Group has not early adopted new and revised IFRS Accounting Standards that have been issued but are not yet effective. Management anticipates that these amendments will be adopted in the consolidated financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

4 Material accounting policies

4.1 Financial instruments

Recognition and Initial Measurement

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities respectively, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in consolidated statement of profit or loss.

Classification of financial assets

Balances with central banks, due from banks and financial institutions, financial assets and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition). IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at amortised cost

The effective interest rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective interest rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition. Income is recognised in the consolidated statement of profit or loss on an effective interest rate basis for financing and investing instruments measured subsequently at amortised cost.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Financial assets measured at FVTPL

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Group designates fair value through other comprehensive income (FVTOCI) at initial recognition. Financial assets that do not meet the amortised cost criteria described above, or that meet the criteria but the Group has chosen to designate it as at FVTPL at initial recognition, are measured at FVTPL. Financial assets (other than equity instruments) may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis. Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) designated as at FVTPL at initial recognition is not permitted. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated statement of profit or loss at the end of each reporting period. The net gain or loss recognised in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 38.

Financial assets measured at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments fair value reserve is not transferred to consolidated statement of profit or loss.

Business model assessment

The Bank assesses 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 Bank 's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank'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 FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes 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. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank 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 Bank 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).

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.

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 ECLs 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.

Reclassification of Equity Investments at Fair value through profit and loss (FVTPL) to Fair value through Other Comprehensive Income (FVOCI) effective from 1 Jan 2024

The Group has decided to change the classification of its Equity Investments portfolio from Fair value through profit and loss (FVTPL) to Fair value through Other Comprehensive Income (FVOCI) with effect from 1 January 2024. The decision is made after the Group has made a change in the business model under the which Group hold financial assets and hence the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Derecognition

Financial assets

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

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

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.

Financial liabilities

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

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

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan; and
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and whether the Group will benefit from any upside from the underlying assets.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Measurement of ECL

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 in default, 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 in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

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 arising from the weighting of multiple future economic scenarios, discounted at the asset's coupon rate as a proxy for effective interest rate (EIR);

- 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 coupon rate, regardless of whether it is measured on an individual basis or a collective basis.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD) – PD estimates are estimates at a certain date, which are calculated based on statistical rating models currently used by the Group, and assessed using rating tools tailored to the various categories and sizes of counterparties.

- Exposure at default (EAD) – EAD represents the expected exposure upon default of an obligor. 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 EAD 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.
  EAD is calculated as below:
  - For Direct Facilities: Limit or Exposure whichever is higher
  - For Letters of Credit & Acceptances: Limit or Exposure whichever is higher
  - For all types of Guarantees: Exposure

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Measurement of ECL (continued)

- Loss given default (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, considering cash flows from the proceeds from liquidation of any collateral.
  LGD is derived as below:
  - Senior Unsecured: 45%
  - Eligible Securities as per Basel lower LGD, taking into consideration applicable Basel haircuts on collateral as well as LGD floors to certain collateral

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement. The group formulates three economic scenarios: a base case with a 40% weight, upside scenario with a 30% weight and a downside scenario with 30% weight.

Macroeconomic factors

In its models, the Group relies on a broad range of forward-looking information as economic inputs, such as: GDP (Gross Domestic Product) growth and oil prices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement. The economic scenarios used as at 31 December 2023 included the following key indicators for the years ending 31 December 2024 to 2028.

	Macro Variable	Scenario	2024	2025	2026	2027	2028
UAE	Oil Price	Base	3.23%	(12.49%)	(2.95%)	0.80%	0.13%
		Upside	6.53%	(14.23%)	(4.04%)	0.79%	0.13%
		Downside	(17.97%)	(14.46%)	16.72%	4.91%	0.51%
	GDP	Base	3.95%	4.26%	3.15%	3.19%	3.26%
		Upside	5.79%	5.73%	3.17%	3.19%	3.26%
		Downside	0.22%	(0.24%)	4.12%	4.86%	3.75%

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1, if certain criteria are met, if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Assessment of significant increase in credit risk (continued)

The group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between wholesale and retail. The credit risk may be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management process that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences. As a backstop, the group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to the initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. 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 behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD [stage 1] and lifetime PD [stage 2].

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. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators
- a backstop of 30 days past due.

Improvement in credit risk profile

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 returns to being measured as 12-month ECL.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Improvement in credit risk profile (continued)

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 stage-wise (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 instalments (for quarterly instalments) have been made or 12 months (for instalments longer than quarterly) curing period is met.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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 Bank 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 Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: (as a deduction from the gross carrying amount of the assets);
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as deduction from the gross carrying amount of the drawn component.
- debt instruments measured at FVOCI: no loss allowance is recognised in the 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 statement of profit or loss.

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. The 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.

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. In the case where the financial asset is derecognised, the loss allowances for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. On derecognition of a financial asset in its entirety, the difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain / loss allocated to it that had been recognised in OCI is recognised in consolidated statement of profit or loss. Any cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of 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.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'amortised cost'. The Group initially recognises financial liabilities such as deposits and debt securities issued on the date at which they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes party to the contractual provision of the instrument.

Financial liabilities at amortized cost

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished - that is when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group trading activity. The Group is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts.

4 Material accounting policies (continued)

4.2 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward foreign exchange contracts, interest rate swaps and currency swaps. 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. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Hedge Accounting - The Bank may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Bank continues to apply the hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement. For the purpose of hedge accounting, the Group classifies hedges into two categories: (a) fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income. In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Fair value hedges - Where a hedging relationship is designated as at fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the derivative and the hedged item are recognised in the consolidated statement of profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same consolidated statement of profit or loss category as the related hedged item. Any ineffectiveness is also recognised in the same consolidated statement of profit or loss category as the related hedged item. If the derivative is expired, sold, terminated, exercised, it no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised in the consolidated statement of profit or loss as part of the recalculated effective interest rate over the period to maturity.

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

Derivatives that do not qualify for hedge accounting - All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss as trading revenue/loss. However, the gains and losses arising from changes in the fair values of derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-interest revenue/loss. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the consolidated statement of profit or loss.

4 Material accounting policies (continued)

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

4.4 Reverse-repo placements

Assets purchased with a simultaneous commitment to resell at a fixed price on a specified future date are not recognised. The amount paid to the counterparty under these agreements is shown 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 and recognized initially at amortised cost.

4.5 Investment properties

Investment properties are held to earn rental income and/or capital appreciation. Investment properties include cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment properties are reported at valuation based on fair value at the end of the reporting period. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated statement of profit or loss in the period in which these gains or losses 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. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

4.6 Assets acquired in settlement of debt

The Group often acquires real estate and other collateral in settlement of certain loans and advances. Such real estate and other collateral are stated at the lower of the net realisable value of the loans and advances and the current fair value of such assets at the date of acquisition. Subsequently, the real estate are measured at lower of carrying amount or fair value, less impairment losses, if any. Gains or losses on disposal and unrealised losses on revaluation are recognised in the consolidated statement of profit or loss.

4.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

	Years
Buildings	20 - 40
Furniture and office equipment	2 - 6
Installation, partitions and decorations	3 - 4
Leasehold improvements	5 - 10
Motor vehicles	3

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss statement when incurred. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the consolidated statement of profit or loss. Capital work-in-progress is carried at cost, less any accumulated impairment loss. Cost

4 Material accounting policies (continued)

4.7 Property and equipment (continued)

includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

4.8 Intangible assets acquired separately

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation is charged so as to write off the cost of intangible assets, over their estimated useful lives using the straight-line method as follows:

	Years
Banking license	Indefinite
Legal corporate setup in Lebanon	10
Customer base	10
Branch network	10

4.9 Impairment of tangible and intangibles

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangibles to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.10 Customers' deposits

Customers' deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective interest method.

4.11 Acceptances

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Group and is therefore recognized as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognized as a financial asset. Acceptances have been considered within the scope of IFRS 9 - Financial Instruments and continued to be recognized as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments with respect to acceptances have been accounted for as financial assets and financial liabilities.

4 Material accounting policies (continued)

4.12 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms. Financial guarantees are initially recognised at their fair value, which is the premium received on issuance. The received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable).

4.13 Employees' end-of-service benefits

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law. 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. Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

4.14 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

4.15 Leasing

The Group has applied IFRS 16 using the modified retrospective approach. 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.

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, 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 weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 4.23%. 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.

4 Material accounting policies (continued)

4.15 Leasing (continued)

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. The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the 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 recognises 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 on the basis of 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 the major part of the economic life of the asset.

Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to the accounting policies on financial assets for more details.

4.16 Revenue and expense recognition

Interest income and expense

Interest income and interest expense are recognised in consolidated statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transactions costs, fees and points paid or received 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 liability.

4 Material accounting policies (continued)

4.16 Revenue and expense recognition (continued)

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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction cost and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

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. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission

Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided by the Group to its customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. A contract with a customer that results in a recognised financial instrument in the Group's 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 income is accounted for as follows:
- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- other fees and commission income and expense are recognised as the related services are performed or received.

Fee income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded in 'Interest income'.

Dividend income

Dividend income is recognized in the consolidated statement of profit or loss when the Group's right to receive such income is established. Usually this is the ex-dividend date for equity securities.

4 Material accounting policies (continued)

4.16 Revenue and expense recognition (continued)

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment properties or assets acquired in settlement of debts.

Rental income arising from operating leases on investment properties or assets acquired in settlement of debts is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets measured at amortised cost;
- Interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost; and
- The effective portion of fair value changes in qualifying hedging derivatives designated as cash flows hedges of variability in interest cash flows; in the same period as the hedged cash flows affect interest income/ expense

Interest income and expenses on all trading assets and liabilities were considered to be incidental to the Groups trading operations and were presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities carried at FVTPL were presented in net income from other financial instruments at FVTPL.

4.17 Foreign currency transactions

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the consolidated statement of financial position date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using rate of exchange at the date of initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Foreign currency differences are generally recognised in the statement of profit or loss.

For financial assets measured at FVTPL, the foreign exchange component is recognised in the consolidated statement of profit or loss. For financial assets measured at FVTOCI any foreign exchange component is recognised in other comprehensive income. For foreign currency denominated debt instruments measured at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the consolidated statement of profit or loss.

4 Material accounting policies (continued)

4.18 Foreign operations

Group companies

The results and financial position of foreign operations that have a functional currency that is different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rates for each month; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transactions is utilised, for example an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges). Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (trading revenue) in profit or loss. Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases, the foreign currency gains and losses are recognised in the group's FCTR. The results, cash flows and financial position of group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its parent at the exchange rate at the reporting date. These foreign exchange gains and losses on a hyperinflationary foreign operation are presented in OCI.

Subsidiaries in hyperinflationary economies

The results and financial position of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit at the end of the reporting year following the historic cost approach. However, as the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the index in the current year. Differences between these comparative amounts and current year hyperinflation adjustment are recognised directly in equity and the currency translation differences on translation of foreign operations to the presentation currency of the Group are recognised in the consolidated statement of comprehensive income.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred. At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year. Results, cash flows and the financial position of the group's subsidiaries which have been classified as hyperinflationary have been expressed in terms of the measuring unit current at the reporting date.

4 Material accounting policies (continued)

4.18 Foreign operations (continued)

Subsidiaries in hyperinflationary economies (continued)

The International Practices Task Force (IPTF) of the Centre of Audit Quality (CAQ) in its discussion document for the 10 November 2020 meeting stated Lebanon as one of the countries with three-year cumulative inflation rates exceeding 100%. In addition, applying the October 2020 International Monetary Fund (IMF) information and the indicators laid out in IAS29, the Lebanese economy was considered as hyperinflationary during 2020. Accordingly, the results and financial position of the Group's subsidiary – Emirates Lebanon Bank SAL expressed in terms of the measuring unit current at the reporting date.

4.19 Fiduciary activities

The Group acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Group's consolidated financial statements as they are not assets of the Group.

4.20 Taxation

Provision is made for current and deferred taxes arising from operating results of overseas subsidiary in accordance with the fiscal regulations of the respective country in which the subsidiary operates.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The preparation of the consolidated financial statements 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 judgment and uncertainty and actual results may therefore differ, resulting in future changes in these estimates.

4 Material accounting policies (continued)

4.21 Corporate tax in UAE

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.
As the Group's accounting year end 31 December, the first tax period will be 1 January 2024 to 31 December 2024, with the first return to be filled on or before 30 September 2025.
The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. It is not currently foreseen that the Group's UAE operations will be subject to the application of the Global Minimum Tax rate of 15% in FY2024. The application is dependent on the implementation of Base Erosion Profit (BEPS 2) – Pillar Two rules by the countries where the Group operates and the implementation of a top-up tax regime by UAE MOF.
As per the Group's assessment, there is no material deferred tax impact on account of the CT Law in the Group consolidated financial statements for the year ended 31 December 2023.

5 Critical accounting judgements

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

5.1 Subsidiary held for sale

The Central Bank of the UAE supports the Bank's strategic effort to delink/deconsolidate its Lebanese Subsidiary, as the underlying accounting anomalies impact is not sustainable for the Bank and pose a threat for even greater unnecessary volatility. Accordingly, the ultimate immediate objective was to cease the consolidation of the Lebanese Subsidiary financial statements in the Group's financial statements as per the Central Bank of the UAE recommendations effective 1 April 2023. This is required in order to avoid the unnecessary accounting anomalies and/or disruptions resulting from the consolidation of the Lebanese Subsidiary. On 22 June 2023, the board approved the de-linking.
When the Group classifies the Lebanese subsidiary as an "asset held for sale" involving loss of control and the sale is highly probable within 12 months, all the assets and liabilities of that subsidiary are classified as held for sale. Once classified in this category, the group of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell. If the group of assets and liabilities becomes impaired, an impairment loss is recognised in the consolidated statement of profit and loss. Impairment losses may be reversed. The fair value less cost to sell estimate is a significant judgement and it is determined based on the market offer approach.

5.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 36.
A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL, including measurement of ECL for default exposures;
- Determining the fair values of underlying collaterals values, if any, for each financial asset;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

5 Critical accounting judgements (continued)

5.3 Valuation of investment properties and assets acquired in settlement of debts

The fair values of investment properties and assets acquired in settlement of debts are determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. Investment properties and assets acquired in settlement of debts are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined and on the basis of price offerings from potential buyers.
In one case, the fair value of the investment properties under development could not be reliably determined because it is situated in an area in which there is considerable political uncertainty and economic instability. Therefore, the circumstances do allow for an expert adjustment to the fair values' estimate; based on certain haircut that is suitable in the market. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in notes 10 and 11.

5.4 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

5.5 Hyperinflation

The group exercises significant judgement in determining the hyperinflation in respect of its operations in Lebanon. Various characteristics of the economic environment of Lebanon are considered. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Lebanese Pound exchange rate

The economic and political situation in Lebanon, and the difficulty in accessing foreign currencies led to the emergence of a parallel market to the official peg whereby the price to access foreign currencies increased, deviating significantly from the official peg of 1507.5 LBP/USD. This has resulted in an uncontrolled rise in prices driving high inflation and rise in the consumer price index. Several exchange rates have emerged that vary significantly among each other and from the official exchange rate. In the absence of any formal communication from the Central Bank of Lebanon, management has elected to use the sayrafa rate of LBP/USD 38,000 which is based on the Central Bank of Lebanon Sayrafa platform rate for the conversion of the financial statements of Emirates Lebanon Bank SAL to include them in the consolidated financial statements of the Group for 31 December 2022 (31 December 2023: not applicable).

5.6 Determination of fair value of restructured loans

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring. Where a commercial restructuring results in a modification such that the Group rights to the cash flows under the original contract have expired, the old loan is derecognised and a new financial asset is recognised at fair value.
In order to determine the fair value of loans and advances to customers, loans are segregated, as far as possible, into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions. These assumptions may include: forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that the Group believes are consistent with those that would be used by market participants in valuing such loans; and new business rates estimates for similar loans. The fair value of loans reflects expected credit losses at the balance sheet date and the fair value effect of repricing between origination and the balance sheet date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

6 Cash and balances with central banks

(a) The analysis of the Group's cash and balances with central banks is as follows:

	2023 AED'000	2022 AED'000
Cash on hand	**45,336**	80,380
Statutory deposits	**320,656**	94,548
Current accounts	**4,192,303**	3,885,803
Certificates of deposits	**-**	41,524
	4,558,295	4,102,255
Expected credit losses (Note 29)	**-**	(153,148)
	4,558,295	3,949,107

(b) The geographical analysis of the cash and balances with central banks is as follows:

	2023 AED'000	2022 AED'000
Banks abroad	**-**	180,199
Banks in the U.A.E.	**4,558,295**	3,922,056
	4,558,295	4,102,255
Expected credit losses (Note 29)	**-**	(153,148)
	4,558,295	3,949,107

The reserve requirements which are kept with the Central Bank of the country in which the Group operates are not available for use in the Group's day to day operations and cannot be withdrawn without the approval of the Central Bank. The level of reserves required changes periodically in accordance with the directive of the respective Central Bank.

Cash and cash equivalents

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

	2023 AED'000	2022 AED'000
Cash and balances with central banks (Note 6)	**4,558,295**	4,102,255
Deposits and balances due from banks (Note 7)	**751,215**	115,580
Deposits and balances due to banks (Note 17)	**(1,916,341)**	(662,333)
Repo borrowings (Note 18)	**(102,312)**	(103,552)
	3,290,857	3,451,950
Less: Deposits and balances due from banks - original maturity more than three months	**(575,185)**	(40,796)
Less: Statutory deposits with central banks (Note 6)	**(320,656)**	(94,548)
	2,395,016	3,316,606

*Approximately AED 1.6 billion (2022: AED 4.9 billion) of Repo borrowing have not been deducted from cash and cash equivalents as at 31 December 2023. Considering the underlying substance of the borrowing and nature of the underlying collateral, the Group has classified the proceeds/ repayments from the Repo borrowing as a cash inflow/ outflow from financing activities. (Note 18)

7 Deposits and balances due from banks

(a) The analysis of the Group's deposits and balances due from banks is as follows:

	2023 AED'000	2022 AED'000
Demand	**176,030**	88,152
Time	**575,185**	27,428
	751,215	115,580
Expected credit losses (Note 29)	**(132,582)**	(1,683)
	618,633	113,897

(b) The geographical analysis of the deposits and balances due from banks is as follows:

	2023 AED'000	2022 AED'000
Banks abroad	**738,197**	95,706
Banks in the U.A.E.	**13,018**	19,874
	751,215	115,580
Expected credit losses (Note 29)	**(132,582)**	(1,683)
	618,633	113,897

8 Loans and advances, net

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	2023 AED'000	2022 AED'000
Overdrafts	**4,663,532**	4,077,074
Commercial loans	**14,715,439**	14,354,258
Bills discounted	**2,085,781**	2,591,337
Other advances	**2,334,467**	2,375,775
Gross amount of loans and advances	**23,799,219**	23,398,444
Expected credit losses (Note 29)	**(1,731,369)**	(1,775,177)
Net loans and advances	**22,067,850**	21,623,267

(b) Impairment reserve
In accordance with CBUAE circular, in case where provision under CBUAE guidance exceeds provision under IFRS 9, the excess is required to be transferred to impairment reserve. The details of the same are below:

	Bank 2023 AED'000	Bank 2022 AED'000
Impairment reserve – Specific		
Specific provisions and interest in suspense under Circular 28/2010 of CBUAE	**1,595,006**	1,579,794
Stage 3 provisions under IFRS 9 *	**1,595,006**	1,579,794
Specific provision transferred to the impairment reserve	**-**	-

	Bank 2023 AED'000	Bank 2022 AED'000
Impairment reserve – Collective		
Collective provisions under Circular 28/2010 of CBUAE	**389,004**	398,970
Stage 1 and Stage 2 provisions under IFRS 9 *	**198,688**	251,346
Collective provision transferred to the impairment reserve	**190,316**	147,624

8 Loans and advances, net (continued)

As at 31 December 2023, AED 42.692 million are transferred from retained earnings to impairment reserve (2022: AED 73.348 million were transferred from impairment reserve to retained earnings).

* Provisions in accordance with IFRS 9 are determined based on CBUAE classification of loans and advances.

(c) The geographic analysis of the gross loans and advances of the Group is as follows:

	2023 AED'000	2022 AED'000
Loans and advances resident in the U.A.E.	**23,053,575**	22,331,923
Loans and advances non-resident in Lebanon	**-**	59,545
Loans and advances non-resident others	**745,644**	1,006,976
	23,799,219	23,398,444

(d) The composition of the loans and advances portfolio by economic sector is as follows:

	2023 AED'000	2022 AED'000
Economic sector		
Services	**6,371,799**	6,370,729
Personal loans	**4,486,526**	3,977,585
Trading	**3,659,109**	3,694,148
Manufacturing	**2,893,831**	2,789,570
Government related entities	**2,236,096**	1,321,700
Mining and quarrying	**939,718**	935,340
Construction	**795,020**	966,101
Government	**713,768**	1,393,802
Financial institutions	**685,447**	706,856
Transport and communication	**193,508**	234,022
Agriculture	**-**	107
Other	**824,397**	1,008,484
	23,799,219	23,398,444
Expected credit losses (Note 29)	**(1,731,369)**	(1,775,177)
	22,067,850	21,623,267

(e) The composition of the non-performing loans and advances portfolio by economic sector is as follows:

	2023 AED'000	2022 AED'000
Economic sector		
Trading	**1,192,856**	882,876
Services	**611,018**	124,225
Manufacturing	**129,117**	115,090
Personal loans	**76,883**	61,850
Construction	**6,529**	11,512
Transport and communication	**-**	577
Financial institutions	**-**	4
Others	**95**	107,140
Total non-performing loans and advances	**2,016,498**	1,303,274

9 Investments measured at fair value and amortised cost

(a) The analysis of the Group's investments measured at fair value is as follows:

	2023 AED'000	2022 AED'000
Investments measured at fair value		
Investments measured at FVTPL		
Quoted equity securities	**134,706**	154,367
	134,706	154,367
Investments measured at FVTOCI		
Quoted equity securities	**104,544**	121,717
Unquoted equity securities	**120,222**	157,058
Debt Securities	-	3,956
Expected credit losses (Note 29)	-	(2,790)
	224,766	279,941
Total investments measured at fair value	**359,472**	434,308
Investments measured at amortised cost		
Debt securities	**7,371,537**	7,343,090
Expected credit losses (Note 29)	**(3,599)**	(7,930)
Total investments measured at amortised cost	**7,367,938**	7,335,160
Total investments	**7,727,410**	7,769,468

All of the quoted investments are listed on the securities exchanges in the U.A.E. (Abu Dhabi Securities Exchange and Dubai Financial Market). Included in the debt securities measured at amortised cost are bonds and sukuk with the fair value of AED 2.11 billion (2022: AED 6.27 billion) given as collateral against borrowings under repo agreements (Note 18).

(b) The composition of investments by geography is as follows:

	2023 AED'000	2022 AED'000
United Arab Emirates	**7,615,018**	7,631,762
Middle East (other than G.C.C. countries)	**96,653**	129,093
Europe	**19,338**	19,333
	7,731,009	7,780,188
Expected credit losses (Note 29)	**(3,599)**	(10,720)
	7,727,410	7,769,468

Investments measured at FVTOCI are not held to benefit from changes in their fair value and are not held for trading. The management believes therefore that designating these investments as at FVTOCI provides a more meaningful presentation of its medium to long-term interest in its investments rather than fair valuing through profit or loss.

During the year ended 31 December 2023, 185 thousand of equity securities were acquired at an amount of AED 2.7 million (2022: 20.5 million of equity securities were acquired at an amount of AED 22.9 million).

During the year ended 31 December 2023, dividends from financial assets measured at FVTOCI and FVTPL amounting to AED 13 million (2022: AED 34 million) have been recognised as investment income in the consolidated statement of profit or loss.

10 Investment properties

Details of investment properties are as follows:

	Plots of land AED'000	Commercial and residential units AED'000	Total AED'000
Opening balance at 1 January 2022	**22,900**	**1,068,643**	**1,091,543**
Increase in fair value during the year	-	66,198	66,198
Additions during the year	-	12,641	12,641
Disposals during the year	-	(12,273)	(12,273)
Balance at 31 December 2022	**22,900**	**1,135,209**	**1,158,109**
Decrease in fair value during the year	-	(55,356)	(55,356)
Additions during the year	-	-	-
Disposals during the year	-	-	-
Fair value at 31 December 2023	**22,900**	**1,079,853**	**1,102,753**

The fair value of the Group's investment properties is estimated using sales comparison, income capitalisation, residual approach and discounted cash flow method, considering the property being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The valuations, where applicable were carried out by RICS certified professional valuers not related to the Group who hold recognised and relevant professional qualifications and have recent experience in the location and category of the 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. The valuation of investment properties performed by external valuer is based on the information available to them at the time of the valuation and relies on several inputs.

Valuation technique	Nature of property	Significant unobservable inputs
Income capitalisation	Community project and buildings	Capitalisation rate 8%
Direct comparison approach	Land and office units	Comparable transactions

11 Assets acquired in settlement of debts

	Real estate properties AED'000	Investment securities AED'000	Total AED'000
Balance at 1 January 2022	**1,434,349**	**14,451**	**1,448,800**
(Decrease)/increase in fair value during the year	(19,986)	809	(19,177)
Additions during the year	493	-	493
Disposals during the year	(202,295)	-	(202,295)
Balance at 31 December 2022	**1,212,561**	**15,260**	**1,227,821**
Subsidiary held for sale adjustment (note 2.1)	(48,212)	-	(48,212)
Decrease in fair value during the year	(33,995)	(9,433)	(43,428)
Disposals during the year	(58,097)	-	(58,097)
Balance at 31 December 2023	**1,072,257**	**5,827**	**1,078,084**

11 Assets acquired in settlement of debts (continued)

Real estate properties represent properties and plots of lands acquired in settlement of debt. During the year, net unrealised losses of AED 34 million (2022: AED 19 million) are recognised in the consolidated statement of profit or loss on real estate properties. The realisable values of the properties and plots of land were carried out by RICS certified independent valuers having appropriate professional qualifications and are based on recent experience in the location and category of the properties and plots of land being valued. The fair value of these properties and plots of land as at 31 December 2023 amounted to AED 1,188 million (2022: AED 1,274 million), out of which AED 1,072 million (2022: AED 1,213 million) was reflected in the statement of financial position as at year end. Description of valuation techniques and key inputs used to determine the realisable values of real estate properties acquired in settlement of debt as at 31 December 2023:

Valuation technique	Nature of property	Significant unobservable inputs
Discounted Cash Flow Approach	Retail mall and Villas	Discount rate 9%
Income capitalisation	Residential building	Capitalisation rate 8%
Direct comparison approach	Land, building, office units and villas	Comparable transactions

The assessment of realisable values performed by external valuer at 31 December 2023 is based on the information available to them at the time of assessment and relies on several inputs.

12 Other intangible assets

The analysis of the Group's other intangibles is as follows:

	2023 AED'000	2022 AED'000
Other intangibles		
Banking license	-	18,365
Customer base	-	3,690
Total	-	22,055

The movement of other intangible assets during the year is as follows:

	Banking license AED'000	Customer base AED'000	Total AED'000
Balance at 1 January 2022	**18,365**	**3,710**	**22,075**
Adjustment due to hyperinflation	-	37,145	37,145
Currency translation adjustment	-	(35,935)	(35,935)
Amortisation during the year	-	(1,230)	(1,230)
Balance at 31 December 2022	**18,365**	**3,690**	**22,055**
Subsidiary held for sale adjustment (note 2.1)	-	(3,690)	(3,690)
Impairment during the year	(18,365)	-	(18,365)
Balance as at 31 December 2023	-	-	-

13 Other assets

	2023 AED'000	2022 AED'000
Acceptances – contra (Note 19)	**1,011,401**	1,076,370
Interest receivable	**67,595**	56,728
Prepayments	**9,085**	10,431
Others	**191,933**	138,580
	1,280,014	1,282,109
Expected credit losses	**(27,964)**	(27,964)
Total	**1,252,050**	1,254,145

14 Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivatives. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instruments, reference rate, or index. Derivative financial instruments which the Group enters into include forwards and swaps. The Group uses the following derivative financial instruments for both hedging and non-hedging purposes.

Forward currency transactions - Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Swap transactions – Interest rate (IRS) and cross currency interest rate swaps (CCIRS) - are commitments to exchange one set of cash flows for another. CCIRS result in an economic exchange of currency cash flows. Exchange of principal may or may not take place. Under interest rate swaps, the Bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities, and applies cash margining with market counterparties to mitigate the credit risk involved.

Derivative related credit risk - Credit risk with respect to derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The Group enters into derivative contracts with a number of financial institutions of good credit rating.

Derivatives held or issued for hedging purposes - The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in interest rates and exchange rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as fair value hedges.

			Notional amounts by term to maturity			
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000
2023						
Currency swaps	202	-	6,955,811	6,955,811	-	-
Total	202	-	6,955,811	6,955,811	-	-
2022						
Interest rate swaps	4,839	-	91,825	-	-	91,825
Currency swaps	1,549	-	3,649,543	3,649,543	-	-
Total	6,388	-	3,741,368	3,649,543	-	91,825

15 Properties and equipment

	Land & buildings AED'000	Furniture and office equipment AED'000	Leasehold improvements installation, partitions and decoration AED'000	Motor vehicles AED'000	Total AED'000
Cost					
At 1 January 2022	**373,605**	**83,333**	**68,130**	**3,335**	**528,403**
Additions	12,490	4,095	1,011	450	18,046
Disposals	-	(15,584)	(20,620)	(1,129)	(37,333)
Adjustment due to hyperinflation	31,550	27,310	20,805	612	80,277
Currency translation adjustment	(17,431)	(15,089)	(11,494)	(340)	(44,354)
At 31 December 2022	**400,214**	**84,065**	**57,832**	**2,928**	**545,039**
Subsidiary held for sale adjustment (note 2.1)	(63,976)	(50,012)	(36,870)	(1,110)	(151,968)
Additions	227	6,376	487	1,804	8,894
Disposals	(31,479)	(4)	-	(215)	(31,698)
At 31 December 2023	**304,986**	**40,425**	**21,449**	**3,407**	**370,267**
Accumulated depreciation					
At 1 January 2022	**128,579**	**78,082**	**38,481**	**3,091**	**248,233**
Charge for the year	20,095	7,631	3,900	248	31,874
Disposals	-	(15,745)	(19,629)	(1,129)	(36,503)
Adjustment due to hyperinflation	12,116	23,280	16,213	592	52,201
Currency translation adjustment	(6,694)	(12,862)	(8,957)	(327)	(28,840)
At 31 December 2022	**154,096**	**80,386**	**30,008**	**2,475**	**266,965**
Subsidiary held for sale adjustment (note 2.1)	(27,159)	(45,154)	(31,743)	(1,111)	(105,167)
Charge for the year	16,586	4,745	1,672	573	23,576
Disposals	(24,505)	-	-	(215)	(24,720)
At 31 December 2023	**119,018**	**39,977**	**(63)**	**1,722**	**160,654**
Net book value:					
At 31 December 2023	**185,968**	**448**	**21,512**	**1,685**	**209,613**
At 31 December 2022	246,118	3,679	27,824	453	278,074

16 Customers' deposits

The analysis of customers' deposits is as follows:

	2023 AED'000	2022 AED'000
Current and other accounts	**4,586,738**	3,575,571
Saving accounts	**98,911**	135,884
Time deposits	**21,656,948**	21,569,676
	26,342,597	25,281,131

17 Deposits and balances due to banks

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

	2023 AED'000	2022 AED'000
Demand	**2,993**	382,333
Time	**1,913,348**	280,000
	1,916,341	662,333

Due to banks represent due to:

	2023 AED'000	2022 AED'000
Banks in the U.A.E.	**537,960**	293,232
Banks abroad	**1,378,381**	369,101
	1,916,341	662,333

18 Repo borrowings

The analysis of the repo borrowing agreements is as follows:

	2023 AED'000	2022 AED'000
Banks in the U.A.E.	**1,702,312**	5,003,552
	1,702,312	5,003,552

The Group entered into repo agreements under which bonds with fair value of AED 2.10 billion (31 December 2022: AED 6.27 billion) were given as collateral against borrowings. The risks and rewards relating to these bonds remain with the Group.

Repo borrowings include an amount of AED 1.6 billion (2022: AED 4.9 billion) which is represented as part of the group's financing activities in the consolidated statement of cashflows. (Note 6)

19 Other liabilities

	2023 AED'000	2022 AED'000
Acceptances – contra (Note 13)	**1,011,401**	1,076,370
Interest payable	**576,165**	199,409
Unearned income	**143,422**	205,429
Provision for employees' end of service benefits (Note 19.1)	**62,236**	53,155
Lease liabilities	**66,456**	68,209
ECL on unfunded exposure	**30,263**	33,164
Managers' cheques	**26,689**	25,357
Accrued expenses	**12,608**	4,523
Clearing balances	**5,266**	21,341
Deferred tax liability	**-**	14,088
Others	**53,411**	200,493
	1,987,917	1,901,538

19.1 The movement in the provision for employees' end of service benefits is as follows:

	2023 AED'000	2022 AED'000
At 1 January	**53,155**	43,874
Subsidiary held for sale adjustment (note 2.1)	**(358)**	-
Charged during the year	**13,230**	11,143
Payments during the year	**(3,791)**	(1,611)
Currency translation adjustment	**-**	(251)
At 31 December	**62,236**	53,155

20 Issued bonds

Issue date	Maturity	Currency	Face value Million	2023 Carrying value AED' 000	2022 Carrying value AED' 000
18 September 2019	Sep-24	USD	600	**2,203,530**	2,203,134
29 November 2019	Nov-23	CHF	100	**-**	397,269
28 February 2022	Feb-23	USD	125	**-**	459,018
14 March 2023	Mar-28	USD	500	**1,801,468**	-
				4,004,998	3,059,421

On 18 September 2019, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 600 million (equivalent to AED 2,204 million) for a five-year maturity at mid swaps plus 250 basis points, to yield 4.015%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the Irish Stock Exchange.

On 14 March 2023, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 7%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the Irish Stock Exchange.

20 Issued bonds (continued)

During the year, the Group has fully repaid the below notes:

- Senior Unsecured Fixed Rate Notes, totalling CHF 100 million (equivalent to AED 401 million) issued on 29 November 2019 with a four-year maturity;
- Senior Unsecured Fixed Rate Notes 2.85%, totalling USD 125 million (equivalent to AED 459.125 million) issued on 28 February 2022 with a one-year maturity.

The General Assembly on 4 May 2023 authorised a renewal of the Bank's EMTN programme of USD 2.5 billion.

The fair value and the change in that fair value that can be ascribed to changes in underlying credit risk are set out below:

	31 December 2023	31 December 2022
	AED'000	AED'000
Fair value of issued bonds	**4,068,946**	2,943,778
Changes in fair value of issued bond not attributable to changes in market conditions	**-**	6,526
Difference between carrying amount and amount contractually required to be paid at maturity	**(35,302)**	(624)

The Group estimates changes in fair value due to credit risk by estimating the amount of change in fair value that is not due to changes in market conditions that give rise to market risk.

21 Capital and reserves

Issued and paid-up capital

	2023		2022	
	Number of shares	**AED'000**	Number of shares	AED'000
Issued capital	**3,000,000,000**	**3,000,000**	2,200,000,000	2,200,000
	3,000,000,000	**3,000,000**	2,200,000,000	2,200,000

Statutory reserve - In accordance with the Bank's Articles of Association, and in compliance with Decretal Federal Law No. (14) of 2018, a minimum of 10% of profit should be transferred to a non-distributable statutory reserve until such time as this reserve equals 50% of the Bank's issued capital.

Contingency reserve - In accordance with the Articles of Association of the Bank, net profits may be allocated to a contingency reserve on the proposal of the Board of Directors.

The Board of Directors approved in their meeting held on 4 May 2023 to release the contingency reserve balance of AED 640 million to Retained earnings.

Impairment reserve - In accordance with CBUAE circular, in case where provision under CBUAE guidance exceeds provision under IFRS 9, the excess is required to be transferred to impairment reserve.

22 Loss per share

Loss per share are computed by dividing the loss for the year by the average number of shares outstanding during the year as follows:

Basic and diluted loss per share	**2023**	2022
Loss attributable to owners of the Bank for the year (AED'000)	**(273,521)**	(154,485)
Weighted average number of ordinary shares:		
Ordinary shares at the beginning of the year	**2,200,000**	2,200,000
Weighted average number of shares outstanding during the year (in thousands shares)	**2,616,438**	2,200,000
Basic and diluted loss per share (AED)	**(0.10)**	(0.07)

As at the reporting date, the diluted loss per share is equal to the basic loss per share as the Group has not issued any financial instruments that should be taken into consideration when the diluted loss per share is calculated.

23 Commitments and contingent liabilities

	2023	2022
	AED'000	AED'000
Financial guarantees for loans	**207,829**	217,462
Other guarantees	**1,311,368**	1,370,661
Letters of credit	**459,086**	321,966
	1,978,283	1,910,089
Irrevocable commitments to extend credit	**476,117**	1,218,184
	2,454,400	3,128,273

These contingent liabilities have off-balance sheet credit risk as only the related fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expired. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash-flows.

Credit-related commitments include commitments to extend credit, standby letters of credit, and guarantees which are designed to meet the requirements of the Group's customers. Commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. The bank and its subsidiaries are party to legal proceedings, including regulatory investigations, in the ordinary course of business. While there is inherent difficulty in predicting the outcome of these proceedings, management does not expect the outcome of any of these proceedings, individually or in the aggregate, to have a material adverse effect on the consolidated financial position or the results of operations of the bank.

24 Fiduciary assets

The Group holds investments amounting to AED 214 million (31 December 2022: AED 124 million) which are held on behalf of customers and not treated as assets in the consolidated statement of financial position.

25 Interest income

	2023 AED'000	2022 AED'000
Loans and advances to customers	1,286,190	1,032,825
Investment securities at amortised cost	358,142	87,851
Loans and advances to banks	117,987	15,858
	1,762,319	1,136,534

26 Interest expense

	2023 AED'000	2022 AED'000
Deposits from customers	1,118,240	580,904
Borrowings from banks	217,658	56,036
Issued bonds	202,498	130,177
	1,538,396	767,117

27 Net fee and commission income

	2023 AED'000	2022 AED'000
Management & commitment fees	115,881	162,800
Trade finance activities	30,018	36,536
Letters of guarantee	16,953	18,008
Corporate banking credit related fees	12,622	14,566
Others	1,570	1,265
	177,044	233,175

28 (Loss)/Income on investments

	2023 AED'000	2022 AED'000
Dividends	13,193	33,977
Net trading gain	1,086	1,778
Realized and unrealized loss on investments measured at FVTPL	(31,754)	(21,580)
Impairment on investments measured at amortised cost	(34,710)	-
	(52,185)	14,175

29 Net impairment loss on financial assets

31 December 2023	Opening balance AED'000	Subsidiary held for sale adjustment AED'000	Net charge/ (reversal) during the period AED'000	Write off during the period AED'000	Closing balance AED'000
Cash and balances with central banks	153,148	(20,936)	(132,212)	-	-
Deposits and balances due from banks	1,683	(7)	130,906	-	132,582
Loans and advances	1,775,177	(10,576)	(9,506)	(23,726)	1,731,369
Investments	10,720	(6,936)	(185)	-	3,599
Unfunded exposure	33,164	(45)	(2,856)	-	30,263
Other assets	27,964	-	-	-	27,964
Total	2,001,856	(38,500)	(13,853)	(23,726)	1,925,777
Direct Charge			11,664		
Net impairment reversal on financial assets			(2,189)		

29 Net impairment loss on financial assets (continued)

31 December 2022	Opening balance AED'000	Net charges / (reversals) during the year AED'000	Write off during the year AED'000	Currency translation effect AED'000	Closing balance AED'000
Cash and balances with central banks	170,048	(1,453)	-	(15,447)	153,148
Deposits and balances due from banks	2,330	(645)	-	(2)	1,683
Loans and advances	2,006,910	343,043	(568,195)	(6,581)	1,775,177
Investments	17,299	(1,864)	-	(4,715)	10,720
Unfunded exposure	22,919	10,275	-	(30)	33,164
Other assets	27,964	-	-	-	27,964
	2,247,470	349,356	(568,195)	(26,775)	2,001,856
Direct recoveries		(57,915)			
Net impairment charge on financial assets		291,441			

30 General and administrative expenses

	2023 AED'000	2022 AED'000
Personnel expenses	**179,616**	161,529
Depreciation (Note 15)	**23,576**	31,874
Other expenses*	**127,420**	107,727
	330,612	301,130

*Other expenses include an amount of AED 9.3 million (2022: AED 5.4 million) representing social contributions made during the year ended 31 December 2023.

31 Taxation

Income tax expense represents the income tax expense incurred in Lebanon by Emirates Lebanon Bank S.A.L. The enacted income tax rate in Lebanon was 17% as at 31 December 2022 (31 December 2023: not applicable). Effective tax rate reconciliation is not material in relation to the consolidated financial statements as tax charge relates to an overseas subsidiary only.

32 Subsidiaries

The Bank's interests, held directly or indirectly, in the subsidiaries are as follows:

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Year of acquisition	Country of incorporation	Principal activities
	2023	2022				
Emirates Lebanon Bank S.A.L.	100%	100%	1965	2008	Lebanon	Financial institution
El Capital FZC	100%	100%	2007	2017	U.A.E.	Investment in a financial institution
BOS Real Estate FZC	100%	100%	2007	2007	U.A.E.	Real estate development activities
BOS Capital FZC	100%	100%	2007	2007	U.A.E.	Investment
Polyco General Trading L.L.C.	100%	100%	2008	2008	U.A.E.	General trading
Borealis Gulf FZC	100%	100%	2010	2010	U.A.E.	Investment & Real estate development activities
BOS Funding Limited	100%	100%	2015	2015	Cayman Islands	Financing activities
Muwaileh Capital FZC	90%	90%	2010	2017	U.A.E.	Developing of real estate & related activities
BOS Repos Limited	100%	100%	2018	2018	Cayman Islands	Financing activities
BOS Derivatives Limited	100%	100%	2018	2018	Cayman Islands	Financing activities
GTW Holding LTD	100%	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
GDLR Holding LTD	100%	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
BOS Real Estate Egypt	100%	-	2023	2023	Egypt	Real estate development activities

* Emirates Lebanon Bank S.A.L (fully owned by the Group, 80% by Bank of Sharjah PJSC and 20% by EL Capital FZC) selected standalone financial information and comprehensive income as at and for the year ended 31 December 2022:

	2022 AED'000
Statement of financial position	
Total assets	324,132
Total liabilities	221,139
Equity	102,993
Statement of comprehensive income	
Interest income	8,513
Loss for the year	(317,035)
Total comprehensive loss for the year	(317,065)

* For the year ended 31 December 2023, please refer to note 2.1.

33 Related party balances and transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. Transactions with associate and other related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties. Transactions within the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related parties' balances included in the consolidated statement of financial position and the significant transactions with related parties are as follows:

Balances at the end of the reporting year	**2023 AED'000**	2022 AED'000
Loans and advances	**920,009**	770,011
Letters of credit, guarantee and acceptances	**321**	556
	920,330	770,567
Collateral deposits	**104**	100
Expected Credit Losses	**2,031**	2,944
Net exposure	**918,195**	767,523
Other deposits	**5,727,714**	4,669,605
Investment in Government of Sharjah bonds	**7,000,000**	7,047,870

Transactions during the reporting year	**2023 AED'000**	2022 AED'000
Interest income	**71,403**	51,849
Interest expense	**54,479**	60,485
Rent expense	**8,500**	8,500

During the year ended 31 December 2015, the Bank completed the sale of its head office building, located in Al Khan, Sharjah, to a company owned by a member of the Bank's Board of Directors under a sale leaseback arrangement. The sale resulted in a gain of AED 50.5 million for the Bank, which was reflected under "Other income" in the Bank's statement of profit or loss for the year ended 31 December 2015.

Compensation of Directors, advisors and key management personnel

	2023 AED'000	2022 AED'000
Short term benefits	**34,736**	21,885
End of service benefits	**3,850**	3,663
Total compensation as at 31 December	**38,586**	25,548

No impairment loss has been recognised against balances outstanding with key management personnel and other related parties.

33.1 Transactions with owners and directors of the Group

Bank of Sharjah

Dividends - at the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2022, held on 4 May 2023, the shareholders approved no cash dividends distribution (2021: no cash dividend distribution).

Directors' remuneration - at the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2022, held on 4 May 2023, the shareholders of the Bank approved no Directors' remuneration (2021: no Directors' remuneration).

33 Related party balances and transactions (continued)

33.1 Transactions with owners and directors of the Group (continued)

Bank of Sharjah (continued)

Charity donations - at the Annual General Meeting of the shareholders to approve the consolidated financial statements of 31 December 2022, held on 4 May 2023, the shareholders approved no charitable donations (2021: no charitable donations).

Transfer from reserves - at the Annual General Meeting of the shareholders held on 4 May 2023, the shareholders approved no transfer from reserves (2021: no transfer from reserves).

Emirates Lebanon Bank

Directors' remuneration - At the Annual General Meeting of Emirates Lebanon Bank S.A.L, a subsidiary of the Bank, the shareholders approved no directors' remuneration for the year ended 31 December 2022.

34 Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the type of business activities undertaken as a Group. For operating purposes, the Group is organised into two major business segments:

(i) Commercial Banking, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
(ii) Investment Banking, which involves the management of the Group's investment portfolio.

The following table presents information regarding the Group's operating segments for the year ended 31 December 2023:

	Commercial Banking AED'000	Investment banking AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	68,280	155,643	-	223,923
- Net fee and commission income	177,044	-	-	177,044
- Exchange profit	15,188	-	-	15,188
- Loss on investments	-	(52,185)	-	(52,185)
- Net loss on properties	-	(100,332)	-	(100,332)
- Other income	3,806	3,247	-	7,053
Total operating income	264,318	6,373	-	270,691
Other material non-cash items				
- Net impairment charge on financial assets	2,616	(427)	-	2,189
- Depreciation	-	-	(23,576)	(23,576)
- General and administrative expenses	(260,981)	(46,055)	-	(307,036)
- Impairment of intangible assets	-	-	(18,365)	(18,365)
- Net impairment charge on subsidiary held for sale	-	(199,153)	-	(199,153)
Net profit/(loss) for the year	5,953	(239,262)	(41,941)	(275,250)
Segment assets	28,256,179	9,674,953	1,528,548	39,459,680
Segment liabilities	30,972,647	4,004,998	976,520	35,954,165

34 Segmental information (continued)

The following table presents information regarding the Group's operating segments for the year ended 31 December 2022:

	Commercial Banking AED'000	Investment banking AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	281,253	88,164	-	369,417
- Net fee and commission income	233,175	-	-	233,175
- Exchange profit	31,657	-	-	31,657
- Income on investments	-	14,175	-	14,175
- Net income on properties	-	98,113	-	98,113
- Other income	1,438	-	-	1,438
Total operating income	**547,523**	**200,452**	**-**	**747,975**
Other material non-cash items				
- Net impairment charge on financial assets	(288,124)	(3,317)	-	(291,441)
- Depreciation	-	-	(31,874)	(31,874)
- Loss on monetary position	-	-	(312,436)	(312,436)
- General and administrative expenses	(228,868)	(40,388)	-	(269,256)
- Amortization of intangible assets	-	-	(1,230)	(1,230)
- Income tax expenses – overseas	-	-	(506)	(506)
Net profit/(loss) for the year	**30,531**	**156,747**	**(346,046)**	**(158,768)**
Segment assets	**26,896,320**	**8,815,952**	**1,690,059**	**37,402,331**
Segment liabilities	**32,023,386**	**3,059,421**	**825,168**	**35,907,975**

** Unallocated items comprise mainly head office expenses and tax assets and liabilities of the overseas subsidiary*

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2022: Nil). Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for resource allocation purpose. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments except for property and equipment, goodwill and other intangibles and certain amounts included in other assets; and
- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

34.1 Geographical information

The Group currently operates in one principal geographical area – United Arab Emirates (2022: two principal geographical areas - United Arab Emirates (country of domicile) and Lebanon (referred to as 'Foreign Entity')). The Group's operating income and information about its non-current assets by geographical location are detailed below:

	Country of domicile AED'000	Foreign AED'000	Total AED'000
2023			
Operating income	**267,444**	**3,247**	**270,691**
2022			
Operating income	738,470	9,505	747,975

35 Classification of financial assets and financial liabilities

(a) 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:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central banks	-	-	4,512,959	4,512,959
Deposits and balances due from banks	-	-	618,633	618,633
Loans and advances, net	-	-	22,067,850	22,067,850
Investments measured at fair value	134,706	224,766	-	359,472
Investments measured at amortised cost	-	-	7,367,938	7,367,938
Other assets and derivatives	6,029	-	1,242,965	1,248,994
Total	140,735	224,766	35,810,345	36,175,846
Financial liabilities:				
Customers' deposits	-	-	26,342,597	26,342,597
Deposits and balances due to banks	-	-	1,916,341	1,916,341
Repo borrowings	-	-	1,702,312	1,702,312
Other liabilities	-	-	1,782,265	1,782,265
Issued Bonds	-	-	4,004,998	4,004,998
Total	-	-	35,748,513	35,748,513

(b) 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:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central banks	-	-	3,868,726	3,868,726
Deposits and balances due from banks	-	-	113,897	113,897
Loans and advances, net	-	-	21,623,267	21,623,267
Investments measured at fair value	154,367	279,941	-	434,308
Investments measured at amortised cost	-	-	7,335,160	7,335,160
Other assets and derivatives	21,648	-	1,243,715	1,265,363
Total	176,015	279,941	34,184,765	34,640,721
Financial liabilities:				
Customers' deposits	-	-	25,281,131	25,281,131
Deposits and balances due to banks	-	-	662,333	662,333
Repo borrowings	-	-	5,003,552	5,003,552
Other liabilities	-	-	1,642,954	1,642,954
Issued Bonds	-	-	3,059,421	3,059,421
Total	-	-	35,649,391	35,649,391

36 Financial risk management

The Group has Senior Management committees to oversee the risk management. The Board Executive Committee and the Board Risk Committee, under delegation from the Board of Directors defines policies, processes, and systems to manage and monitor credit risk. It also sets policies, system and limits for interest rate risk, foreign exchange risk, and liquidity risk. The Group also has a Credit Risk function which independently reviews adherence to all risk management policies and processes. The Group's internal audit function, which is part of risk review, primarily evaluates the effectiveness of the controls addressing operational risk.

The Emirates Lebanon Bank SAL operations are carried out in Lebanon which has been witnessing, since 17 October 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on 7 March 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds. Throughout this sequence of events, the ability of the Lebanese Government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawal of cash to private depositors, all of which added to the disruption of Lebanon's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt and unemployment and poverty are rising fast and have reached unprecedented levels. The difficulty in accessing foreign currencies led to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of 1,507.5 LBP/USD. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese pound, impacting intensely the purchasing power of the Lebanese citizens, driving a currency crisis, high inflation and rise in the consumer price index.

As a result of the above, these consolidated financial statements have reflected adjustments including an increase in expected credit losses (and respective staging). The Group continues to monitor the situation closely and the subsidiary continues to operate and has support from the Group.

Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and by limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counter-parties to mitigate credit risk. Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Policies relating to credit are reviewed and approved by the Group's Executive Committee. All credit lines are approved in accordance with the Group's credit policy set out in the Credit Policy Manual. Credit and marketing functions are segregated. In addition, whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The Group further limits risk through diversification of its assets by economic and industry sectors. All credit facilities are administered and monitored by the Credit Administration Department. Periodic reviews are conducted by Credit Risk and facilities are risk graded based on criterion established in the Credit Policy Manual. Cross border exposure and financial institutions exposure limits for money market and treasury activities are approved as per guidelines established by the Group's Executive Committee and are monitored by the Senior Management on a daily basis. The Executive Committee is responsible for setting credit policy of the Group. It also establishes industry caps, approves policy exceptions, and conducts periodic portfolio reviews to ascertain portfolio quality.

36 Financial risk management (continued)

Credit risk management (continued)

Commercial/Institutional lending underwriting - All credit applications for Commercial and Institutional lending are subject to the Group's credit policies, underwriting standards and industry caps (if any) and to regulatory requirements, as applicable from time to time. The Group does not lend to companies operating in industries that are considered by the Group inherently risky and where industry knowledge specialisation is required. In addition, the Group sets credit limits for all customers based on their creditworthiness. All credit facilities extended by the Group are made subject to prior approval pursuant to a delegated signature authority system under the ultimate authority of the Executive Committee or the Group's Executive Director and General Manager under the supervision of the Board. At least two signatures are required to approve any commercial or institutional credit application.

Credit review procedures and loan classification - The Group's Credit Risk department subjects the Group's risk assets to an independent quality evaluation on a regular basis in conformity with the guidelines of the Central Bank of the U.A.E. and the Group's internal policies in order to assist in the early identification of accrual and potential performance problems. The Credit Risk department validates the risk ratings of all commercial clients, provides an assessment of portfolio risk by product and industry and monitors observance of all approved credit policies, guidelines and operating procedures across the Group. All commercial/institutional loan facilities of the Group are assigned one of ten risk ratings (1-10) where 1 is being excellent and 10 being loss with no reimbursement capacity and total provisioning. If a Loan is impaired, interest will be suspended and not be credited to the consolidated statement of profit or loss. Specific allowance for impairment of classified assets is made based on recoverability of outstanding and risk ratings of the assets. The Group also measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk management at the level of Emirates Lebanon Bank SAL

Measurement uncertainty and sensitivity analysis of Sovereign and Central Bank of Lebanon ECL estimates
Due to the current and economic financial crisis prevailing in the country, the recognition and measurement of ECL involves the use of significant judgement and estimation. The subsidiary's management forms three economic scenarios, which is in line with best market practices, based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate.

1) Methodology

The high degree of uncertainty surrounding the Lebanese banking sector and the Lebanese economy as a whole has been triggered by the following events:

- business disruption since the last quarter of 2019;
- a series of Lebanese sovereign credit risk downgrades which started to deteriorate since the last quarter of 2019 and reached a default credit risk rating by all major rating during 2020, after years of a stable credit risk rating at "B" category
- restrictions on the movement and withdrawal of funds in foreign currencies;
- the inability to transfer foreign currency funds outside Lebanon;
- the sharp fluctuation in the foreign currency exchange rates and creation of parallel markets with a wide range of price variances;
- on March 7, 2020, the Lebanese Government announced its decision to default on the 6.375% US$1,200,000,000 bonds due on March 9, 2020;
- an announcement on March 23, 2020 by the Lebanese Government to discontinue payments on all of its U.S. Dollars denominated Eurobonds;
- further deterioration in the market value of Lebanese Government bonds to junk status, resulting in the majority of the valuation of financial assets being adversely impacted in Lebanon;
- prolonged severe inactivity in capital markets rendering markets illiquid;

The subsidiary's management assessed whether financial assets are credit impaired and considered factors mentioned above such as credit ratings and the ability of the borrower to raise funding leading to a reclassification for sovereign exposure to stage 3 as at 31 December 2022 (31 December 2023: not applicable). The three economic scenarios as at 31 December 2022 (31 December 2023: not applicable) and their likely outcomes are referred to as the Baseline, Optimistic and Downside scenarios.

36 Risk management (continued)

Credit risk management (continued)

Credit risk management at the level of Emirates Lebanon Bank SAL (continued)

Measurement uncertainty and sensitivity analysis of Sovereign and Central Bank of Lebanon ECL estimates (continued)

The Optimistic and Downside scenarios are consistent with a probability weighting of 15% and 35%, respectively, while the Base scenario is assigned the remaining 50%. Although there is no scientific approach behind the weights of each scenario, this weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. The subsidiary's management noted that there is a great difficulty in the determination of expected credit losses given the absence of publicly available supporting data. With a probability of default of 100% on all instruments, the key determinant of the ECL is the Loss Given Default (LGD) per instrument type, based on assumptions. The rationale behind the LGD per instrument is correlated to whom will suffer a greater haircut in potential Central Bank of Lebanon (BDL) recapitalization. Specifically, the moving from the Optimistic, to Base and Downside scenario, the impact from the recapitalization shifts from the Lebanese Government (and therefore requiring to haircut its bonds by a higher percentage) to the BDL's depositors in foreign currency (FCY). At the reporting date, a team of independent valuation experts have reviewed subsidiary's management above scenarios and ECL assessment.

2) Description of consensus economic scenarios

The economic assumptions presented in this section have been formed by the subsidiary with reference to available assumptions specifically for the purpose of calculating ECL. Management considered the PD parameter constant at 1 and sensitized the LGD assumption per instrument type. The Lebanese Treasury Bills for all scenarios were kept at a constant LGD of 20% as at December 31,2022 (31 December 2023: not applicable); Subsidiary's management applied the 20% to all scenarios based on a Citigroup report for Lebanese Restructuring which suggested 20% as a potential haircut on the Lebanese Treasury Bills. The Subsidiary's total gross exposure in Lebanese Treasury bills as at December 31, 2022 stands at LBP 8 billion (31 December 2023: not applicable) and hence there is a minor impact that might arise in relation to this instrument.

The consensus Base scenario
The current accounts and statutory reserves in foreign currency held with the Central Bank of Lebanon are calculated on the basis of a stage three classification with LGD of 15% and 3.6% respectively (31 December 2023: not applicable) and for both the long-term placements with the Central Bank of Lebanon and Certificates of deposit issued by the Central Bank of Lebanon LGD of 27% as at December 31, 2022 (31 December 2023: not applicable). The ECL on Lebanese government bonds in foreign currency held at fair value through other comprehensive income and at amortized cost are both calculated on the basis of a stage three classification with LGD of 70% as at December 31, 2022 (31 December 2023: not applicable).

The consensus Optimistic scenario
The current accounts and statutory reserves in foreign currency held with the Central Bank of Lebanon are calculated on the basis of a stage three classification with LGD of 7.5% and 3.6% respectively (31 December 2023: not applicable) and for both the long-term placements with the Central Bank of Lebanon and Certificates of deposit issued by the Central Bank of Lebanon LGD of 27% (31 December 2023: not applicable). The ECL on Lebanese government bonds in foreign currency held at fair value through other comprehensive income and at amortized cost is calculated on the basis of a stage three classification with LGD of 85% as at December 31, 2022 (31 December 2023: not applicable).

The consensus Downside scenario
The current accounts and statutory reserves in foreign currency held with the Central Bank of Lebanon are calculated on the basis of a stage three classification with LGD of 30% and 12.4% respectively as at December 31, 2022 (31 December 2023: not applicable) and for both the long-term placements with the Central Bank of Lebanon and Certificates of deposit issued by the Central Bank of Lebanon LGD of 30% (31 December 2023: not applicable). The ECL on Lebanese government bonds in foreign currency held at fair value through other comprehensive income and at amortized cost is calculated on the basis of a stage three classification with LGD of 65% as at December 31, 2022 and 65% (31 December 2023: not applicable).

36 Risk management (continued)

Credit risk management (continued)

Credit risk management at the level of Emirates Lebanon Bank SAL (continued)

Measurement uncertainty and sensitivity analysis of Sovereign and Central Bank of Lebanon ECL estimates (continued)

3) Economic scenarios sensitivity analysis of ECL estimates on the sovereign and Central Bank of Lebanon exposure

Management considered the sensitivity of the ECL outcome by calculating the ECL under each scenario described above for the sovereign exposure, applying a 15%, 50%, and 35% weighting to the Optimistic, Base, and Downside scenarios respectively. The weighting is reflected in both the determination of a significant increase in credit risk and the measurement of the resulting ECL. The ECL calculated for the Optimistic and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. For all Central Bank of Lebanon outstanding instruments in foreign currency, the assumption is that the LGD is equivalent to the Central Bank foreign currency gap in his balance sheet adjusted by the permitted GDP deficit. This adjusted gap is estimated to represent around 16.8% (31 December 2023: not applicable) of total foreign currency liabilities which was derived mainly from Central Bank of Lebanon balance sheet as at December 31, 2022 and independent reports to show a split between foreign currency and Lebanese pound denominated assets and liabilities, as detailed below:

- For the current accounts in foreign currency held with the Central Bank of Lebanon, the Subsidiary's management's approach is where LGD is ultimately determined based on who will cover the Central Bank of Lebanon foreign currency gap. A scenario where banks are ultimately required to provide for potential losses instead of the Government. In this hypothetical scenario, the required ECL would be 30% on the current account balances in U.S. Dollars held with the BDL. Moreover, the rationale for applying a 7.5% LGD on the Optimistic and 15% on the Base scenarios is that LGD on BDL Current Accounts will be reduced through funding by the Government (or through customer deposit conversion and /or haircut) which might result in a lower than 30% haircut on the bank's deposits. Hence a maximum LGD of 30% is assumed and a lower LGD to the remaining scenarios, on the assumption that the bondholders might not recover their full balances.

- For the mandatory reserves in foreign currency held with the Central Bank of Lebanon, considering that they are still unused, and in an attempt to be prudent, the Subsidiary's management used an LGD of 3.6% for both the Optimistic and Base scenarios and 12.4% for the Downside scenario (31 December 2023: not applicable).

- For the long-term placements in foreign currency held with the Central Bank of Lebanon and Certificates of deposit (CDs) in foreign currency, considering the longer-term nature of these accounts the subsidiary's management has determined the provisions to be equal to the Central Bank of Lebanon deficit adjusted by the loans to commercial banks outstanding at the Central Bank of Lebanon balance sheet. Based on the above scenarios the Bank applied a revised Central Bank foreign currency gap deficit equivalent to 27% for the optimistic scenario, 27% for the base line scenario and 30% on the downside (31 December 2023: not applicable).

The regulatory governing body, namely the Central Bank of Lebanon imposed in the Intermediate circular 567 issued on 26 August 2020 a minimum regulatory ECL using present LGDs. The weighted ECL calculated and booked by the management far exceeds the minimum regulatory ECL.

36 Risk management (continued)

Credit risk management (continued)

Expected credit loss allowance

As of 31 December 2023	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL
Balances with central banks	4,558,295	-	-	-	-	-	4,558,295	-
Due from banks and financial institutions	199,294	357	971	13	550,950	132,212	751,215	132,582
Loans and advances	10,568,103	42,570	11,214,618	1,292,551	2,016,498	396,248	23,799,219	1,731,369
Investments measured at FVOCI	224,766	-	-	-	-	-	224,766	-
Investments measured at amortised cost	7,371,537	3,599	-	-	-	-	7,371,537	3,599
Other assets	1,280,014	27,964	-	-	-	-	1,280,014	27,964
Unfunded exposure	1,599,850	537	526,568	29,720	56,327	6	2,182,745	30,263
	25,801,859	**75,027**	**11,742,157**	**1,322,284**	**2,623,775**	**528,466**	**40,167,791**	**1,925,777**

As of 31 December 2022	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL
Balances with central banks	3,969,877	-	16,174	1,080	116,204	152,068	4,102,255	153,148
Due from banks and financial institutions	114,609	1,463	971	220	-	-	115,580	1,683
Loans and advances	12,083,860	80,771	10,011,310	1,297,614	1,303,274	396,792	23,398,444	1,775,177
Investments measured at FVOCI	278,708	-	-	-	4,023	2,790	282,731	2,790
Investments measured at amortised cost	7,336,639	3,784	-	-	6,451	4,146	7,343,090	7,930
Other assets	1,282,109	27,964	-	-	-	-	1,282,109	27,964
Unfunded exposure	1,957,215	14,610	165,107	17,164	5,361	1,390	2,127,683	33,164
	27,023,017	**128,592**	**10,193,562**	**1,316,078**	**1,435,313**	**557,186**	**38,651,892**	**2,001,856**

36 Risk management (continued)

Credit risk management (continued)

Stage migration of loans and advances

	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000
Retail banking loans								
As of 1 January 2023	**1,860,764**	**7,752**	**4,276**	**46**	**22,223**	**371**	**1,887,263**	**8,169**
Subsidiary held for sale adjustment (note 2.1)	(390)	(50)	-	(1)	(162)	(146)	(552)	(197)
Transfers from stage 1 to stage 2	(5,316)	-	5,316	-	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-	-	-	-	-
Transfers from 1&2 to stage 3	(61)	-	(165)	-	226	-	-	-
Transfers from stage 3	17	-	-	-	(17)	-	-	-
Change in exposure	841,191	(6,618)	21,919	(7)	(332)	(28)	**862,778**	**(6,653)**
As of 31 December 2023	**2,696,205**	**1,084**	**31,346**	**38**	**21,938**	**197**	**2,749,489**	**1,319**
Wholesale banking loans								
As of 1 January 2023	**10,223,096**	**73,019**	**10,007,034**	**1,297,568**	**1,281,051**	**396,421**	**21,511,181**	**1,767,008**
Subsidiary held for sale adjustment (note 2.1)	(33,173)	(103)	(11,437)	(1,683)	(14,482)	(8,594)	(59,092)	(10,380)
Transfers from stage 1 to stage 2	(1,206,360)	(31,118)	1,206,360	31,118	-	-	-	-
Transfers from stage 2 to stage 1	134,817	3,173	(134,817)	(3,173)	-	-	-	-
Transfers from 1&2 to stage 3	(92,180)	(215)	(212,064)	(7,123)	304,244	7,338	-	-
Transfers from stage 3	-	-	3,229	988	(3,229)	(988)	-	-
Change in exposure	(1,154,302)	(3,270)	324,967	(25,182)	426,976	1,874	**(402,359)**	**(26,578)**
As of 31 December 2023	**7,871,898**	**41,486**	**11,183,272**	**1,292,513**	**1,994,560**	**396,051**	**21,049,730**	**1,730,050**
Total	**10,568,103**	**42,570**	**11,214,618**	**1,292,551**	**2,016,498**	**396,248**	**23,799,219**	**1,731,369**

36 Risk management (continued)

Credit risk management (continued)

Stage migration of loans and advances (continued)

	Stage 1		Stage 2		Stage 3		Total	
	Exposure AED'000	ECL AED'000	Exposure AED'000	ECL AED'000	Exposure AED'000	ECL AED'000	Exposure AED'000	ECL AED'000
Retail banking loans								
As of 1 January 2022	**910,804**	**1,458**	**9,019**	**23**	**9,094**	**219**	**928,917**	**1,700**
Transfers from stage 1 to stage 2	(2,762)	-	2,762	-	-	-	-	-
Transfers from stage 2 to stage 1	204	-	(204)	-	-	-	-	-
Transfers from 1&2 to stage 3	(1)	-	(8,413)	-	8,414	-	-	-
Transfers from stage 3	-	-	-	-	-	-	-	-
Other movements	953,027	6,328	1,112	23	4,806	231	958,945	6,582
Currency translation effect	(508)	(34)	-	-	(91)	(79)	(599)	(113)
As of 31 December 2022	**1,860,764**	**7,752**	**4,276**	**46**	**22,223**	**371**	**1,887,263**	**8,169**
Wholesale banking loans								
As of 1 January 2022	**11,966,122**	**69,412**	**8,916,103**	**1,168,399**	**1,509,815**	**767,399**	**22,392,040**	**2,005,210**
Transfers from stage 1 to stage 2	(1,301,885)	(20,749)	1,301,885	20,749	-	-	-	-
Transfers from stage 2 to stage 1	14,229	344	(14,229)	(344)	-	-	-	-
Transfers from 1&2 to stage 3	(69,131)	(144)	(289,976)	(1,752)	359,107	1,896	-	-
Transfers from stage 3	-	-	42,184	6,592	(42,184)	(6,592)	-	-
Other movements	(370,548)	24,175	66,376	105,793	(539,658)	(361,692)	(843,830)	(231,724)
Currency translation effect	(15,691)	(19)	(15,309)	(1,869)	(6,029)	(4,590)	(37,029)	(6,478)
As of 31 December 2022	**10,223,096**	**73,019**	**10,007,034**	**1,297,568**	**1,281,051**	**396,421**	**21,511,181**	**1,767,008**
	12,083,860	**80,771**	**10,011,310**	**1,297,614**	**1,303,274**	**396,792**	**23,398,444**	**1,775,177**

36 Risk management (continued)

Credit risk management (continued)

ECL change/(flow) of loans and advances

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2023	7,752	46	371	8,169
Subsidiary held for sale adjustment (note 2.1)	(50)	(1)	(146)	(197)
Others	(6,618)	(7)	(28)	(6,653)
ECL allowance as of 31 December 2023	**1,084**	**38**	**197**	**1,319**
Wholesale banking loans:				
ECL allowance as of 1 January 2023	73,019	1,297,568	396,421	1,767,008
Subsidiary held for sale adjustment (note 2.1)	(103)	(1,683)	(8,594)	(10,380)
Emirates governments	376	-	-	376
GREs (Gov ownership >50%)	4,742	-	-	4,742
Other corporates	(31,491)	79,308	2,543	50,360
High net worth individuals	(147)	(85,902)	8,487	(77,562)
SMEs	(4,910)	3,222	(2,806)	(4,494)
ECL allowance as of 31 December 2023	**41,486**	**1,292,513**	**396,051**	**1,730,050**
Total	**42,570**	**1,292,551**	**396,248**	**1,731,369**

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2022	1,458	23	219	1,700
Others	6,328	23	231	6,582
Currency translation effect	(34)	-	(79)	(113)
ECL allowance as of 31 December 2022	**7,752**	**46**	**371**	**8,169**
Wholesale banking loans:				
ECL allowance as of 1 January 2022	69,412	1,168,399	767,399	2,005,210
Emirates governments	(1,747)	-	-	(1,747)
GREs (Gov ownership >50%)	(2,413)	-	-	(2,413)
Other corporates	11,169	74,307	(292,227)	(206,751)
High net worth individuals	(734)	45,679	17,340	62,285
SMEs	(2,625)	11,088	(92,332)	(83,869)
Others	(24)	(36)	831	771
Currency translation effect	(19)	(1,869)	(4,590)	(6,478)
ECL allowance as of 31 December 2022	**73,019**	**1,297,568**	**396,421**	**1,767,008**
Total	**80,771**	**1,297,614**	**396,792**	**1,775,177**

36 Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk

2023

Loans and advances	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Grade 1	-	-	-	-
Grade 2	-	-	-	-
Grade 3	1,229,077	73,566	66	1,302,709
Grade 4	4,725,802	454,336	9,084	5,189,222
Grade 5	4,229,475	19,518	7,760	4,256,753
Grade 6	133,175	5,792,935	-	5,926,110
Grade 7	250,526	2,259,776	239,046	2,749,348
Default grades 8-10	48	2,614,487	1,760,542	4,375,077
Total gross carrying amount	10,568,103	11,214,618	2,016,498	23,799,219
Allowance for impairment losses	(42,570)	(1,292,551)	(396,248)	(1,731,369)
Net carrying amount	10,525,533	9,922,067	1,620,250	22,067,850

2022

Loans and advances	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Grade 1	-	-	-	-
Grade 2	126	-	-	126
Grade 3	1,858,199	1,404	9	1,859,612
Grade 4	3,717,003	394,814	8	4,111,825
Grade 5	2,160,247	386,645	1,786	2,548,678
Grade 6	3,636,762	4,699,079	7,042	8,342,883
Grade 7	370,785	1,968,327	228,930	2,568,042
Default grades 8-10	340,738	2,561,041	1,065,499	3,967,278
Total gross carrying amount	12,083,860	10,011,310	1,303,274	23,398,444
Allowance for impairment losses	(80,771)	(1,297,614)	(396,792)	(1,775,177)
Net carrying amount	12,003,089	8,713,696	906,482	21,623,267

36 Risk management (continued)

Credit risk management (continued)

The Central Bank of the UAE classification of loans and advances

2023

Loans and advances	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Normal	10,236,213	1,774,679	10,133	12,021,025
Other loans exceptionally monitored	117,052	904,786	-	1,021,838
Substandard	214,838	3,484,915	519,277	4,219,030
Doubtful	-	4,090,237	500,475	4,590,712
Loss	-	960,001	986,613	1,946,614
Total gross carrying amount	10,568,103	11,214,618	2,016,498	23,799,219
Allowance for impairment losses	(42,570)	(1,292,551)	(396,248)	(1,731,369)
Net carrying amount	10,525,533	9,922,067	1,620,250	22,067,850

2022

Loans and advances	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Normal	10,764,948	1,474,700	123,682	12,363,330
Other loans exceptionally monitored	-	1,040,397	-	1,040,397
Substandard	1,085,663	2,404,844	54,773	3,545,280
Doubtful	199,686	3,851,159	349,139	4,399,984
Loss	-	1,228,772	761,036	1,989,808
Total gross carrying amount	12,050,297	9,999,872	1,288,630	23,338,799
Allowance for impairment losses	(80,618)	(1,295,930)	(388,053)	(1,764,601)
Net carrying amount	11,969,679	8,703,942	900,577	21,574,198

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

		2023 AED'000	2022 AED'000
Balances with Central Banks	6	4,512,959	3,868,727
Deposits and balances due from banks	7	618,633	113,897
Loans and advances, net	8	22,067,850	21,623,267
Investments measured at amortised cost	9	7,367,938	7,335,160
Other assets *(excluding prepayments & other non-financial assets)*	34	1,248,994	1,265,363
Total		35,816,374	34,206,414
Letters of credit	23	459,086	321,966
Guarantees	23	1,519,197	1,588,123
Undrawn loan commitments	23	476,117	1,218,184
Total		2,454,400	3,128,273
Total credit risk exposure		38,270,774	37,334,687

36 Risk management (continued)

Credit risk management (continued)

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.

Aging analysis of past due but not impaired loans per class of on-balance sheet financial assets

	Less than 30 days 2023	**31 to 89 days 2023**	**More than 90 days 2023**	**Total 2023**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Loans and advances	**496**	**9,979**	**1,172,380**	**1,182,855**

	Less than 30 days 2022	**31 to 89 days 2022**	**More than 90 days 2022**	**Total 2022**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Loans and advances	32	644	430,606	431,282

Collaterals held against loans and advances

The fair value of the collateral that the Group held as at 31 December 2023 for past due but not impaired loans and advances to customers covers 170% (2022: 110%) of the outstanding balance. For each loan, the value of the disclosed collateral is capped to the nominal amount of the loan that is held against.

Carrying amount per class of on-balance sheet financial assets whose terms have been renegotiated

	2023	2022
	AED'000	AED'000
Loans and advances	**6,092,722**	5,766,663

Impaired loans

Impaired loans are loans for which the Group determines that it is likely the collectability of all principal and interest due according to the contractual terms of the loan/securities agreement(s) would be doubtful. These loans are graded 8 to 10 in the Group's internal credit risk grading system.

Write-off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when the Group determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The Group holds collateral against loans and advances in the form of mortgage interests over properties, vehicles and machineries, cash margins, fixed deposits, guarantees and others. The Group accepts guarantees mainly from well-reputed local or international banks, well-established local or multinational corporate and high net worth private individuals. Management has estimated the fair value of collateral to be AED 13.6 billion (2022: AED 13.2 billion) out of which AED 645 million is collateral held against stage 3 loans and advances (2022: AED 499 million). The fair value of the collateral includes cash deposits which are not under lien and the Group has right to set-off against the outstanding facilities. Concentration risk arises when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group measure its exposure to credit risk by reference to gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any. Concentration of credit risk by industrial sector for loans and advances are presented in notes 8(d) and 8(e). Concentration of credit risk by geographical distribution of loans and advances and financial investments is set out in note 8(c).

36 Risk management (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Executive Committee (EC) & Board Risk Committee (BRC) - In addition to its credit related activity, the Executive Committee along with the Board Risk Committee have a broad range of authority delegated by the Board of Directors to manage the Group's asset and liability structure and funding strategy. The EC and BRC review liquidity ratios; asset and liability structure; interest rate and foreign exchange exposures; internal and statutory ratio requirements; funding gaps; and general domestic and international economic and financial market conditions. The EC & BRC formulate liquidity risk management guidelines for the Group's operation on the basis of such review.

The Group's Senior Management monitors the liquidity on a daily basis and uses an interest rate simulation model to measure and monitor interest rate sensitivity and varying interest rate scenarios. The EC members comprise of the Chairman, four Board Members, in addition to the General Manager. The EC meets once or more every 45 days, as circumstances dictate. The quorum requires all members to be present at the meeting and decisions taken to be unanimous. The Group manages its liquidity in accordance with U.A.E. Central Bank requirements and the Group's internal guidelines. The U.A.E. Central Bank sets cash ratio reserve requirements on overall deposits ranging between 1.0 percent for time deposits and 14.0 percent for demand deposits, according to the tenor of the deposits. In addition, the U.A.E. Central Bank requires that banks regulated under the Eligible Liquid Asset Ratio (ELAR) regime maintain a stock of High-Quality Liquid Assets (HQLA), as a buffer against unexpected deposit outflows, of a minimum of 10% (reduced during the Covid-19 pandemic to 7%) of all deposits. The Group complies with this regulation at all times, and applies a higher standard in its internal guidelines. The U.A.E. Central Bank also imposes a mandatory 1:1 utilisation ratio, whereby; loans and advances (combined with inter-bank placements having a remaining term of 'greater than three months') should not exceed stable funds as defined by the U.A.E. Central Bank. Stable funds are defined by the U.A.E. Central Bank to mean free-own funds, inter-bank deposits with a remaining term of more than six months, and stable customer deposits. To guard against liquidity risk, the Group diversifies its funding sources and manages its assets with liquidity in mind, seeking to maintain a preferable proportion between cash, cash equivalent, and readily marketable securities. The Board Risk Committee sets and monitors liquidity ratios and regularly revises and updates the Group's liquidity management policies to ensure that the Group would be in a position to meet its obligations as they fall due. Management of liquidity risk within the parameters prescribed by the Board Risk Committee has been delegated to an Asset and Liability Committee (ALCO) comprising the General Manager (operations) and senior executives from treasury, finance, risk, corporate credit, operations, and investment departments.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or potential damage to the Group's reputation.

The Treasury department communicates with other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury maintains a portfolio of liquid assets to ensure liquidity is maintained within the Group's operations as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is performed under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board. The Daily Position sheet, which reports the liquidity and exchange positions of the Group is reviewed by Senior Management. A summary report, including any exceptions and remedial action taken, is submitted to the Board Risk Committee.

Exposure to liquidity risk

The key measure used by the Group for measuring liquidity risk is the advances to stable resources ratio (regulatory ratio) which is 79.57% as at 31 December 2023 (2022: is 84.60%). In addition, the Group also uses the following ratios/information on a continuous basis for measuring liquidity risk:

- Liquid assets to total assets ratio;
- Net loans to deposits ratio (LDR);
- Basel III ratios (including ASRR, ELAR, etc.) are also monitored internally and shared with the Board on quarterly basis.

36 Risk management (continued)

Liquidity risk management (continued)

The maturity profile of the assets and liabilities at 31 December 2023 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	No fixed maturity AED'000	Total AED'000
Assets					
Cash and balances with central banks	4,512,959	-	-	45,336	4,558,295
Deposits and balances due from banks	55,664	195,669	367,300	-	618,633
Loans and advances, net	6,231,351	2,700,308	13,136,191	-	22,067,850
Investments measured at fair value	-	-	-	359,472	359,472
Investments measured at amortised cost	178,774	6,998,413	190,751	-	7,367,938
Investment properties	-	-	-	1,102,753	1,102,753
Assets acquired in settlement of debt	-	-	-	1,078,084	1,078,084
Other assets	1,252,050	-	-	-	1,252,050
Derivative assets held for risk management	202	-	-	-	202
Property and equipment	-	-	-	209,613	209,613
Subsidiary held for sale	-	844,790	-	-	844,790
Total assets	12,231,000	10,739,180	13,694,242	2,795,258	39,459,680
Liabilities					
Customers' deposits	12,945,957	12,778,800	617,840	-	26,342,597
Deposits and balances due to banks	1,916,341	-	-	-	1,916,341
Repo-borrowing	1,702,312	-	-	-	1,702,312
Other liabilities	1,987,917	-	-	-	1,987,917
Issued Bonds	-	2,203,530	1,801,468	-	4,004,998
Total liabilities	18,552,527	14,982,330	2,419,308	-	35,954,165
Net liquidity gap	(6,321,527)	(4,243,150)	11,274,934	2,795,258	3,505,515

36 Risk management (continued)

Liquidity risk management (continued)

The maturity profile of the assets and liabilities at 31 December 2022 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	No fixed maturity AED'000	Total AED'000
Assets					
Cash and balances with central banks	3,836,726	1,070	30,931	80,380	**3,949,107**
Deposits and balances due from banks	113,897	-	-	-	**113,897**
Loans and advances, net	4,648,385	2,268,136	14,706,746	-	**21,623,267**
Investments measured at fair value	-	-	-	434,308	**434,308**
Investments measured at amortised cost	29	7,171,284	163,417	430	**7,335,160**
Investment properties	-	-	-	1,158,109	**1,158,109**
Other intangibles	-	-	-	22,055	**22,055**
Assets acquired in settlement of debt	-	-	-	1,227,821	**1,227,821**
Other assets	1,040,793	5,252	208,100	-	**1,254,145**
Derivative assets held for risk management	6,388	-	-	-	**6,388**
Property and equipment	-	-	-	278,074	**278,074**
Total assets	**9,646,218**	**9,445,742**	**15,109,194**	**3,201,177**	**37,402,331**
Liabilities					
Customers' deposits	11,866,690	12,997,814	416,627	-	**25,281,131**
Deposits and balances due to banks	662,333	-	-	-	**662,333**
Repo-borrowing	5,003,552	-	-	-	**5,003,552**
Other liabilities	1,880,601	1,417	19,520	-	**1,901,538**
Issued Bonds	459,018	397,269	2,203,134	-	**3,059,421**
Total liabilities	**19,872,194**	**13,396,500**	**2,639,281**	**-**	**35,907,975**
Net liquidity gap	**(10,225,976)**	**(3,950,758)**	**12,469,913**	**3,201,177**	**1,494,356**

36 Risk management (continued)

Market risk management

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into trading, or non-trading /banking book.

a) Market risk - trading book

The Executive Committee has set limits for acceptable level of risks in managing the trading book. The Group maintains a well-diversified portfolio. In order to manage the market risk in the trading book, the Group carries a limited amount of market risk based on the policy preference and this is continuously monitored by Senior Management. The Group's trading book mainly comprises of equity instruments in companies listed on the U.A.E. exchanges. As such, the market risk in the trading book is limited to equity price risk. Equity price risk refers to the risk of an increase/ (decrease) in the fair values of equities in the Group's trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The effect on the Group's equity investments held in the trading book due to a reasonable possible change in U.A.E. equity indices, with all other variables held constant is as follows:

	31 December 2023		31 December 2022	
Market indices	**Change in equity price %**	**Effect on income AED'000**	Change in equity price %	Effect on income AED'000
Global Stock markets	**+1%**	**1,347**	+1%	1,544
Global Stock markets	**-1%**	**(1,347)**	-1%	(1,544)

b) Market risk - non-trading or banking book

Market risk on non-trading or banking positions mainly arises from the interest rate, foreign currency exposures and equity price changes.

i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities. The Group uses simulation-modelling tools to periodically measure and monitor interest rate sensitivity. The results are monitored and analysed by the Senior Management. Since most of the Group's financial assets and liabilities are floating rate, deposits and loans generally re-price simultaneously providing a natural hedge, which reduces interest rate exposure. Moreover, the majority of the Group's assets and liabilities will be re-priced within one year or less, thereby further limiting interest rate risk.

36 Risk management (continued)

b) Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The Group's interest sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier as at 31 December 2023 was as follows:

	Weighted average effective rate	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	Non-interest sensitive AED'000	Total AED'000
Assets						
Cash and balances with central banks	5.40%	-	-	-	4,558,295	4,558,295
Deposits and balances due from banks		55,664	12,019	-	550,950	618,633
Loans and advances, net	7.01%	15,702,395	3,323,738	3,041,717	-	22,067,850
Investments measured at fair value		-	-	-	359,472	359,472
Investments measured at amortised cost	5.89%	-	7,366,210	-	1,728	7,367,938
Investment properties		-	-	-	1,102,753	1,102,753
Assets acquired in settlement of debt		-	-	-	1,078,084	1,078,084
Other assets		-	-	-	1,252,050	1,252,050
Derivative assets held for risk management		-	-	-	202	202
Property and equipment		-	-	-	209,613	209,613
Subsidiary held for sale		-	-	-	844,790	844,790
Total assets		15,758,059	10,701,967	3,041,717	9,957,937	39,459,680
Liabilities and equity						
Customers' deposits	4.67%	12,945,957	12,778,800	617,840	-	26,342,597
Deposits and balances due to banks	5.29%	1,916,341	-	-	-	1,916,341
Repo-borrowing	5.91%	1,702,312	-	-	-	1,702,312
Other liabilities		-	-	-	1,987,917	1,987,917
Issued Bonds	5.36%	-	4,004,998	-	-	4,004,998
Equity		-	-	-	3,505,515	3,505,515
Total liabilities and equity		16,564,610	16,783,798	617,840	5,493,432	39,459,680
On statement of financial position gap		(806,551)	(6,081,831)	2,423,877	4,464,505	-
Cumulative interest rate sensitivity gap		(806,551)	(6,888,382)	(4,464,505)	-	-

36 Risk management (continued)

b) Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The Group's interest sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier as at 31 December 2022 was as follows:

	Weighted average effective rate	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	Non-interest sensitive AED'000	Total AED'000
Assets						
Cash and balances with central banks	4.28%	-	4,400	36,397	3,908,310	**3,949,107**
Deposits and balances due from banks		110,214	-	-	3,683	**113,897**
Loans and advances, net	5.74%	15,547,494	2,397,609	3,611,274	66,890	**21,623,267**
Investments measured at fair value		-	-	-	434,308	**434,308**
Investments measured at amortised cost	1.74%	-	7,331,019	2,305	1,836	**7,335,160**
Investment properties		-	-	-	1,158,109	**1,158,109**
Other intangibles		-	-	-	22,055	**22,055**
Assets acquired in settlement of debt					1,227,821	**1,227,821**
Other assets		-	-	-	1,254,145	**1,254,145**
Derivative assets held for risk management					6,388	**6,388**
Property and equipment		-	-	-	278,074	**278,074**
Total assets		**15,657,708**	**9,733,028**	**3,649,976**	**8,361,619**	**37,402,331**
Liabilities and equity						
Customers' deposits	3.25%	11,405,626	13,298,334	416,627	160,544	**25,281,131**
Deposits and balances due to banks	4.75%	661,234	-	-	1,099	**662,333**
Repo-borrowing	4.84%	103,552	-	-	4,900,000	**5,003,552**
Other liabilities		-	-	-	1,901,538	**1,901,538**
Issued Bonds	3.53%	-	3,059,421	-	-	**3,059,421**
Equity		-	-	-	1,494,356	**1,494,356**
Total liabilities and equity		**12,170,412**	**16,357,755**	**416,627**	**8,457,537**	**37,402,331**
On statement of financial position gap		**3,487,296**	**(6,624,727)**	**3,233,349**	**(95,918)**	**-**
Cumulative interest rate sensitivity gap		**3,487,296**	**(3,137,431)**	**95,918**	**-**	**-**

36 Risk management (continued)

Market risk management (continued)

b) Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument, excluding non-interest-bearing items. The rate is a historical rate for a fixed rate instrument carried at amortised cost and the current market rate for a floating rate instrument or for an instrument carried at fair value. The following table depicts the sensitivity to a reasonable possible change in interest rates, with other variables held constant, on the Group's consolidated statement of profit or loss or equity. The sensitivity of the income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2023, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate, including the effect of any associated hedges as at 31 December 2023 for the effect of assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in AED thousands.

As at 31 December 2023	**Increase in basis**	**Sensitivity of interest income**	**Sensitivity of equity**
Rates Up	**200 bps**	**(81,103)**	**(81,103)**
Rates Down	**200 bps**	**81,103**	**81,103**

As at 31 December 2022	Increase in basis	Sensitivity of interest income	Sensitivity of equity
Rates Up	200 bps	(6,009)	(6,009)
Rates Down	200 bps	6,009	6,009

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging instruments are also used to ensure that positions are maintained within the limits. The Group's assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. However, in the normal course of business the Group provides foreign currency exposures to finance its client's activities. The Executive Committee sets the limits on the level of exposure by currency for both overnight and intra-day positions, which are closely monitored by Senior Management. As at 31 December 2023 and 2022, the Group's net currency position was not material, and all the positions were within limits approved by the Executive Committee. As the UAE Dirham and other GCC currencies are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. The table below shows the foreign currencies to which the Group has a significant exposure to:

	2023 AED'000 equivalent long (short)	2022 AED'000 equivalent long (short)
EURO	**(745)**	(1,367)
GBP	**(390)**	(214)
CHF	**(217)**	(73)
AUD	**(22)**	-

36 Risk management (continued)

Market risk management (continued)

b) Market risk - non-trading or banking book (continued)

ii) Currency risk (continued)

The analysis below calculates the effect of a possible movement of the currency rate against AED, with all other variables held constant, on the consolidated statement of profit or loss (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of profit or loss or equity; whereas a negative effect shows a potential decrease in consolidated statement of profit or loss or equity.

	(AED'000)		
Currency exposure as at 31 December 2023	**Change in currency rate in %**	**Change on net profit**	**Change on Equity**
EURO	**+5%**	**(37)**	**(37)**
EURO	**-5%**	**37**	**37**
GBP	**+5%**	**(20)**	**(20)**
GBP	**-5%**	**20**	**20**
CHF	**+5%**	**(11)**	**(11)**
CHF	**-5%**	**11**	**11**
AUD	**+5%**	**(1)**	**(1)**
AUD	**-5%**	**1**	**1**

	(AED'000)		
Currency exposure as at 31 December 2022	**Change in currency rate in %**	**Change on net profit**	**Change on Equity**
EURO	**+5%**	(68)	(68)
EURO	**-5%**	68	68
GBP	**+5%**	(11)	(11)
GBP	**-5%**	11	11
CHF	**+5%**	(4)	(4)
CHF	**-5%**	4	4

iii) Equity price risk

Equity price risk refers to the risk of a decrease in the fair value of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The effect on the Group's quoted equity investments held as financial assets at FVTOCI due to reasonable possible change in equity prices, with all other variables held constant is as follows:

	31 December 2023		31 December 2022	
Market indices	**Change in equity price %**	**Effect on equity AED'000**	Change in equity price %	Effect on equity AED'000
Global stock markets	**+1%**	**1,045**	+1%	1,217
Global stock markets	**-1%**	**(1,045)**	-1%	(1,217)

36 Risk management (continued)

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, and may have legal or regulatory implications, or lead to financial losses. The Group would not be able to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group could minimise the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

37 Capital adequacy and capital management

Capital management process

The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial positions, are:

- To comply with the capital requirements set by the Central Bank of United Arab Emirates;
- To safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the authority on a quarterly basis. The Group assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Group's regulatory capital is analysed into two tiers:

- Common equity tier 1 (CET 1) capital, which includes ordinary share capital, legal reserve, general reserve and retained earnings; fair value reserves, 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.
- Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The minimum capital adequacy requirements as set out by the Central Bank are as follows:

- Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).
- Minimum tier 1 ratio of 8.5% of RWAs.
- Total capital adequacy ratio of 10.5% of RWAs.

In addition to CET 1 ratio of 7% of RWAs, a capital conservation buffer (CCB) of 2.5% of RWAs shall be maintained in the form of CET 1. Further, counter cyclical buffer (CCyB) requirement shall be met by using CET 1. The level of CCyB to be notified by 'the Central Bank'. There is no CCyB requirement during the current year. The Group has complied with all the externally imposed capital requirements and has prepared the capital adequacy ratios excluding the hyperinflation impact and currency translation resulting from the Lebanese operations.

37 Capital adequacy and capital management (continued)

Capital management process (continued)

Basel III

The capital adequacy ratios are computed based on circulars issued by the Central Bank of UAE and based on a specific exception received from the Central Bank of the UAE for 2022 considering high level of uncertainty facing the Lebanese financial situation as discussed in note 36. Following this specific exception, the 2022 computation of capital adequacy ratios of the Group excludes the hyperinflation impact on Lebanese operations and currency translation resulting from the Lebanese operations whereby the financial information of Lebanese operations is translated at the official exchange rate for the purpose of computing capital adequacy ratios.

	31 December 2023 AED'000 (audited)	31 December 2022 AED'000 (audited)
Capital base		
Common Equity Tier 1	**3,700,274**	3,247,735
Additional Tier 1 capital	**-**	-
Tier 1 capital	**3,700,274**	3,247,735
Tier 2 capital	**324,171**	371,057
Total capital base	**4,024,445**	3,618,792
Risk-weighted assets:		
Credit risk	**25,933,669**	29,684,588
Market risk	**272,735**	336,096
Operational risk	**1,231,102**	1,407,793
Total risk-weighted assets	**27,437,506**	31,428,477
Capital ratios		
Common equity Tier 1 capital ratio	**13.49%**	10.33%
Tier 1 capital ratio	**13.49%**	10.33%
Total capital ratio	**14.67%**	11.51%

As at 31 December 2022, had the Group included the hyperinflation impact and the currency translation resulting from the Lebanese operations after translating the financial information of Lebanese operations at sayrafa rate for the purpose of computing capital adequacy ratios, the common equity Tier 1, Tier 1 capital and total capital ratios would have dropped to 4.98%, 4.98% and 6.16%.

38 Fair value of financial instruments

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 or, in its absence, the most advantageous market to which the Group has access at that date. 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 ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction. The best evidence of the fair value of a financial instrument on 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 on 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 for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. The fair value of a financial liability with a demand feature (e.g. a 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 recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Investments held at fair value through profit and loss

Investments held for trading or designated at fair value through profit and loss represent investment securities that present the Group with opportunity for returns through dividend income, trading gains and capital appreciation. Including in these investments listed equity securities for which the fair values are based on quoted prices at close of business as of 31 December 2023, and unlisted bonds for which the fair values are derived from internal valuation performed based on generally accepted pricing models, all inputs used for the valuation are supposed by observable market prices or rates.

Unquoted investments held at fair value through other comprehensive income

The consolidated financial statements include holdings in unquoted securities amounting to AED 120 million (2022: AED 157 million) which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on comparable ratios backed by discounted cash flow analysis depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

For investments valued using comparable ratios, share prices of comparable companies represent significant inputs to the valuation model. If the share prices of the comparable companies were 5% higher/lower while all other variables were held constant, then the fair value of the securities would increase/decrease by AED 6 million (2022: AED 8 million). The impact of the change in fair valuation from previously existing carrying amounts have been recognised as a part of cumulative changes in fair value in equity.

38 Fair value of financial instruments (continued)

Fair value of financial instruments carried at amortised cost
Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

		2023		2022	
	Level	**Carrying amount AED'000**	**Fair value AED'000**	Carrying amount AED'000	Fair value AED'000
Financial assets					
- Investments measured at amortised cost	3	**7,367,938**	**7,363,519**	7,335,160	7,377,598
- Loans and advances	3	**22,067,850**	**22,067,850**	21,623,267	21,623,267
Financial liabilities					
- Customers' deposits	2	**26,342,597**	**26,342,597**	25,281,131	25,281,131
- Issued Bonds	2	**4,004,998**	**4,068,946**	3,059,421	2,943,778

The fair value for other financial assets measured at amortised cost is based on market prices.

Fair value measurements recognised in the consolidated statement of financial position
The following table provides an analysis of financial instruments that are measured at fair value. They are banked into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices, including over-the-counter quoted prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38 Fair value of financial instruments (continued)

There were no transfers between Level 1 and Level 2 during the current year.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2023				
Other financial assets measured at fair value				
Investment measured at FVTPL				
Quoted equity	**134,706**	**-**	**-**	**134,706**
Investments measured at FVTOCI				
Quoted equity	**104,544**	**-**	**-**	**104,544**
Unquoted equity	**-**	**-**	**120,222**	**120,222**
Total	**239,250**	**-**	**120,222**	**359,472**
Other assets /liabilities				
Positive fair value of derivatives	**-**	**202**	**-**	**202**
Negative fair value of derivatives	**-**	**-**	**-**	**-**
At 31 December 2022				
Other financial assets measured at fair value				
Investment measured at FVTPL				
Quoted equity	154,367	-	-	154,367
Investments measured at FVTOCI				
Quoted equity	121,717	-	-	121,717
Unquoted equity	-	-	157,058	157,058
Unquoted debt securities	-	1,166	-	1,166
Total	276,084	1,166	157,058	434,308
Other assets /liabilities				
Positive fair value of derivatives	-	6,388	-	6,388
Negative fair value of derivatives	-	-	-	-

<u>Reconciliation of Level 3 fair value measurements of other financial assets measured at FVTOCI:</u>

	2023 AED'000	2022 AED'000
Opening balance	**157,058**	171,592
Subsidiary held for sale adjustment (Note 2.1)	**(66)**	-
Loss recognised in other comprehensive income	**(36,770)**	(14,534)
Closing balance	**120,222**	157,058

38 Fair value of financial instruments (continued)

Unobservable inputs used in measuring fair value

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, 10% change in the underlying value of these investments would have the following effects.

	Effect on OCI	
31 December 2023	**Favourable**	**Unfavourable**
	+12,022	**-12,022**

	Effect on OCI	
31 December 2022	**Favourable**	**Unfavourable**
	+15,706	-15,706

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument is negligible.

Financial Instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with Central Banks, due from banks and financial institutions, loans and advances, net, other assets (excluding prepayments), due to banks, customers' deposits and other liabilities that are categorised as level 2 based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values. The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit and maturity. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

39. Subsequent events

There are no material subsequent events that have occurred that require adjustment to, or disclosure in, the consolidated financial statements.