الإمارات الإسلامي
EMIRATES ISLAMIC

Integrated Report
for the year 2022

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

Vision

To be the leading provider o fhigh standard Shari'a compliant innovative financial products,quality service and superior value for our customers, shareholders, employees and the community.

purpose

To create opportunities to prosper.

His Highness Sheikh Mohamed Bin Zayed Al Nahyan
President of the United Arab Emirates

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

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الإمارات الإسلامي
EMIRATES ISLAMIC

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of Emirates Islamic Bank PJSC (the "Bank"/ "Emirates Islamic") and its subsidiaries (collectively known as "the Group") for the year ended 31 December 2022.

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

Basis of Preparation of Financial Statements

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

Financial Commentary

The Group delivered its highest ever net profit of AED 1.24 billion in 2022, which represents an increase of 51 per cent over 2021, mainly from higher funded and non-funded income coupled with an improvement in cost of risk.

Emirates Islamic continued to maintain healthy liquidity and strong capital ratios, enabling the Bank to grow Customer Financing by 14% during 2022, reflecting the improved economic activity.

Customer Deposits grew by 19% with Current Accounts and Savings Accounts registering 13% growth during the year.

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

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

The Bank provided seamless access for investors in the UAE capital markets by acting as a receiving bank for IPOs on the Dubai Financial Market, including DEWA, Salik, TECOM, Taaleem and EMPOWER.

Emirates Islamic has one of the highest Emiratization rates in the UAE banking sector, at 38% of total employees and 34% of critical positions. Emirates Islamic also drove a number of learning and development initiatives for UAE National talent including The National Achievers Strategic Academy and Future Proof Banker.

Driven by core Shariah principles, Emirates Islamic remains firmly committed to its charitable initiatives and contributed over AED 108 million to a range of charitable initiatives in 2022 through the Emirates Islamic Charity Fund. The Emirates Islamic Charity Fund provides financial aid to those in need, with a focus on food, shelter, health, education and social welfare contributions.

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

Equity Holders Funds

Total Equity holders' funds as at the end of 2022 stands at AED 9,260 million (2021: AED 8,551 million).

Dividends

Emirates Islamic continued to make sustained growth during 2022 as a result of its planned growth strategy to be the leading Islamic Bank in the region, and the board of Emirates Islamic intends to continue this growth strategy. The retained profits will be used to fund this planned growth, whilst maintaining healthy capital ratios. No dividend is therefore proposed for the year ended 31 December 2022, to facilitate the growth strategy.

Proposed Appropriations

The Directors propose the following appropriations from retained earnings:

		AED million
Retained earnings as at 01 January 2022		1,774.1
Group profit for the year		1,240.1
Other comprehensive income		8.1
Transfer to Legal and Statutory reserve		(124.0)
Retained earnings available for appropriation		2,898.3
(a)	Directors' fees for 2022	(7.0)
(b)	Zakat	(44.0)
Balance of retained earnings as at 31 December 2022		2,847.3

Attendance of Directors at Board/ Board Committee meetings during 2022

The Board of Directors comprises of the following members:

Mr. Hesham Abdulla Al Qassim	Chairman
Mr. Buti Obaid Buti Al Mulla	Vice Chairman
H.E. Mohamed Hadi Ahmed Al Hussaini	Director
Mr. Ali Humaid Ali Al Owais	Director
H.E. Huda Sayed Naim Al Hashimi	Director (appointed on 23.2.2022)
Mr. Salem Mohammed Obaidalla	Director (appointed on 23.2.2022)
Mr. Shayne Nelson	Director
Mr. Shoaib Mir Hashim Khoory	Director (Resigned 23.2.2022)
Mr. Mohamed Hamad Obaid Al Shehi	Director (Resigned 23.2.2022)

Total Number of Board Meetings: 6

Board Audit Committee

Mr. Salem Mohammed Obaidalla	Chairman (appointed on 23.2.2022)
Mr. Ali Humaid Ali Al Owais	Member
Mr. Shayne Nelson	Member
Mr. Mohamed Hamad Obaid Al Shehi	Chairman (Resigned 23.2.2022)
Mr. Shoaib Mir Hashem Khoory	Member (Resigned 23.2.2022)
Mr. Hesham Abdulla Al Qassim	Member (Resigned 23.2.2022

Total Number of Meetings: 4

Board Nomination & Remuneration Committee

Mr. Buti Obaid Buti Al Mulla	Chairman
Mr. Ali Humaid Al Owais	Member
Mr. Salem Mohammed Obaidalla	Member (Appointed 23.2.2022)
Mr. Hesham Abdulla Al Qassim	Member (Resigned 23.2.2022)
Mr. Shayne Nelson	Member (Resigned 23.2.2022)

Total Number of Meetings: 4

EMIRATES ISLAMIC الإمارات الإسلامي

Board Risk Committee

Mr. Ali Humaid Ali Al Owais	Chairman
Mr. Hesham Abdulla Al Qassim	Member
Mr. Salem Mohammed Obaidalla	Member (Appointed 23.2.2022)
Mr. Buti Obaid Buti Al Mulla	Member (Resigned on 23.2.2022)
Mr. Shayne Nelson	Member (Resigned on 23.2.2022)

Total Number of Meetings: 4

Board Credit and Investment Committee

Mr. Hesham Abdulla Al Qassim	Member
H.E. Mohamed Hadi Ahmad Al Hussaini	Member
Mr. Salem Mohammed Obaidalla	Member (Appointed on 23.2.2022)
Mr. Shayne Nelson	Member
Mr. Shoaib Mir Hashem Khoory	Chairman (Resigned on 23.2.2022)
Mr. Mohamed Hamad Obaid Al Shehi	Member (Resigned on 23.2.2022)
Mr. Ali Humaid Ali Al Owais	Member (Resigned on 23.2.2022)

Total Number of Meetings: 41

Board Profit and Equalization Committee

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

Total Number of Meetings: 1

الإمارات الإسلامي
EMIRATES ISLAMIC

Auditors:

Deloitte & Touche were appointed as auditors of the Group for 2022 financial year in the Annual General Meeting held on 23rd February 2022.

On behalf of the Board

Chairman

Dubai, UAE

25 January 2023

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Commercial Registration 45433
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Dubai, United Arab Emirates

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SWIFT code: MEBLAEAD
emiratesislamic.ae

هاتف: ٠٣٣٠ ٣١٦ (٤ ٩٧١+)
فاكس: ٢٦٥٩ ٣٥٨ (٤ ٩٧١+)
SWIFT code: MEBLAEAD
emiratesislamic.ae

مصرف الامارات الاسلامي ش م ع
سجل تجاري ٤٥٤٣٣
الفرع الرئيسي ص.ب: ٦٥٦٤
دبي، الإمارات العربية المتحدة

In the Name of Allah

The most Gracious and Merciful

Emirates Islamic Bank

(Public Joint Stock Company)

Head Office

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Dubai Health Care City, Dubai

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GROUP CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

EMIRATES ISLAMIC BANK PJSC

GROUP CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Emirates Islamic Bank PJSC
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Emirates Islamic Bank PJSC (continued)

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers	
The assessment of the Bank's determination of impairment allowances for financing receivables to customers require management to make judgements over the staging of financial assets and measurement of the Expected Credit Loss (ECL). The audit was focused on this matter due to the materiality of the financing receivables to customers (representing 64.7% of total assets) and the complexity of the judgements, assumptions and estimates used in the ECL models. Refer to Note 7 to the consolidated financial statements for the accounting policy and Note 36 for the credit risk disclosure. The material portion of the non-retail portfolio of financing receivables is assessed individually for the significant increase in credit risk (SICR) or credit impairment and the related measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable forward-looking information while assessing SICR, or while assessing credit-impaired criteria for the exposure. Management judgement may also be involved in manual staging movements in accordance with the Bank's policies and the requirements of IFRS 9 Financial Instruments. The measurement of ECL amounts for retail and non-retail exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention. It is important that models and its parameters (Probability of Default "PD", Loss given Default "LGD", Exposure at Default "EAD" and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation process by an independent reviewer.	We have gained an understanding of the financing receivables origination process, credit risk management process and the estimation process of determining impairment allowances for financing receivables to customers and tested the operating effectiveness of relevant controls within these processes. On a sample basis, we selected individual financing receivables and performed a detailed credit review and challenged the Banks's identification of SICR (Stage 2), the assessment of credit-impaired classification (Stage 3) and whether relevant impairment events had been identified in a timely manner. We challenged the assumptions underlying the impairment allowance calculation, such as estimated future cash flows, collateral valuations and estimates of recovery. We evaluated controls over approval, accuracy and completeness of impairment allowances and governance controls, including assessing key management and committee meetings that form part of the approval process for financing receivables impairment allowances. We evaluated key assumptions such as thresholds used to determine SICR and forward-looking macroeconomic scenarios including the related weighting. For financing receivables tested collectively, we evaluated controls over the modelling process, including model inputs, monitoring, validation, and approval. We challenged key assumptions, inspected the calculation methodology and traced a sample back to source data. We further assessed the reasonableness of forward-looking information incorporated into the impairment calculations by involving our specialists to challenge the multiple economic scenarios chosen and weighting applied to capture non-linear losses. We tested the IT application used in the credit impairment process and verified the integrity of data used as input to the models including the transfer of data between source systems and the impairment models. We evaluated system-based and manual controls over the recognition and measurement of impairment allowances.

Deloitte.

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Financing receivables loss impairments – Estimation uncertainty with respect to expected credit losses for financing receivables to customers (continued)	
	We evaluated other post model adjustments and management overlays in order to assess the reasonableness of these adjustments. The Bank performed an independent validation of the PD and LGD models including macro-economic model during the reporting period. We considered the process of this independent validation of models and involved our subject matter specialists to review the validation and its impact on the results of the impairment estimate. We have updated our assessment of the methodology and framework designed and implemented by the Bank as to whether the impairment models outcomes and stage allocations appear reasonable and reflective of the forecasts used by the Bank to determine future economic conditions at the reporting date. We assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus due to the extensive volume and variety of transactions which are processed daily by the Bank and rely on the effective operation of automated and IT dependent manual controls. There is a risk that automated accounting procedures and related internal controls are not accurately designed and operating effectively. In particular, the incorporated relevant controls are essential to address the potential risk for fraud and error as a result of change to applications or underlying data.	We obtained an understanding of the applications relevant to financial reporting and the infrastructure supporting these applications. We tested IT general controls relevant to the identified automated controls and Information Produced by the Entity (IPEs) covering access security, program changes, data center and network operations. We examined certain Information Produced by the Entity (IPEs) used in the financial reporting from relevant applications and key controls over their report logics as well as preparation and maintenance. We performed testing on the key automated controls on significant IT systems relevant to business processes. We tested the interfaces among identified systems in order to determine whether information is being transmitted in an accurate and complete manner.

Other information

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

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Emirates Islamic Bank PJSC (continued)

Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Bank;
- Note 11 to the consolidated financial statements discloses the Bank's purchases or investments in shares during the year ended 31 December 2022;
- Note 31 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted and principles of managing conflict of interest;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- Note 38 to the consolidated financial statements of the Group discloses social contributions made during the year ended 31 December 2022.

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

Deloitte & Touche (M.E.)

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

EMIRATES ISLAMIC BANK PJSC

GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 AED 000	2021 AED 000
ASSETS			
Cash and deposits with the Central Bank of the UAE	9	12,026,286	10,688,166
Due from banks	10	4,614,476	2,768,718
Investment securities	11	7,355,871	6,684,578
Financing receivables	12	48,368,978	42,614,024
Positive fair value of Islamic derivatives	28	184,118	118,376
Customer acceptances	30	923,843	787,200
Investment properties		280,547	296,729
Property and equipment		249,206	281,873
Other assets	13	760,393	664,741
TOTAL ASSETS		**74,763,718**	**64,904,405**
LIABILITIES			
Due to banks	14	1,880,081	2,548,432
Customer deposits	15	56,343,655	47,269,061
Sukuk payable	16	3,672,500	3,672,500
Negative fair value of Islamic derivatives	28	191,500	126,615
Customer acceptances	30	923,843	787,200
Other liabilities	17	2,491,797	1,949,613
TOTAL LIABILITIES		**65,503,376**	**56,353,421**
EQUITY			
Issued capital	18	5,430,422	5,430,422
Legal and statutory reserve	19	815,039	691,025
Other reserves	19	543,043	543,043
Fair value reserve	19	(375,476)	112,390
Retained earnings		2,847,314	1,774,104
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**9,260,342**	**8,550,984**
TOTAL LIABILITIES AND EQUITY		**74,763,718**	**64,904,405**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 1 - 6.

25 JAN 2023

Chairman

Chief Executive Officer

GROUP CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 AED 000	2021 AED 000
Income from financing and investment products	20	2,695,320	1,940,345
Distribution on deposits and profit paid to Sukuk holders	21	(360,061)	(229,156)
Net income from financing and investment products		**2,335,259**	**1,711,189**
Fee and commission income	22	829,530	726,184
Fee and commission expense		(374,426)	(356,910)
Net fee and commission income		**455,104**	**369,274**
Other operating income	23	391,662	317,532
Total operating income		**3,182,025**	**2,397,995**
General and administrative expenses	24	(1,539,020)	(1,191,100)
Operating profit before impairment		**1,643,005**	**1,206,895**
Net impairment loss on financial assets	25	(401,561)	(332,446)
Net impairment loss on non-financial assets		(1,300)	(51,364)
Total net impairment loss		**(402,861)**	**(383,810)**
Net profit for the year		**1,240,144**	**823,085**
Earnings per share	27	**0.228**	**0.152**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 1 - 6.

GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 AED 000	2021 AED 000
Net profit for the year	1,240,144	823,085
Other comprehensive income		
Items that will not be reclassified subsequently to the Income statement:		
Actuarial gains / (losses) on retirement benefit obligations	8,073	(482)
Items that may be reclassified subsequently to the Income statement:		
Movement in fair value reserve (Sukuk instruments):		
- Net change in fair value	(486,810)	(74,704)
- Net amount transferred to income statement	(1,056)	(267)
Other comprehensive income / (loss) for the year	(479,793)	(75,453)
Total comprehensive income for the year	**760,351**	**747,632**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor's report is set out on pages 1 - 6.

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	AED 000	AED 000
OPERATING ACTIVITIES		
Net profit for the year	1,240,144	823,085
Adjustment for non cash items (refer Note 34)	584,358	660,660
Operating profit before changes in operating assets and liabilities	**1,824,502**	**1,483,745**
(Increase) / decrease in balances with the Central Bank maturing after three months maturing after three months	2,637,047	4,297,305
(Increase) / decrease in amounts due from banks maturing after three months	392,866	(1,445,360)
Increase / (decrease) in amounts due to banks maturing after three months	153,946	(850,000)
(Increase) / decrease in positive fair value of Islamic derivatives	(65,742)	13,466
Increase/(decrease) in negative fair value of Islamic derivatives	64,885	(15,719)
(Increase) / decrease in other assets	(95,652)	(317,093)
Increase / (decrease) in other liabilities	518,331	88,631
Increase / (decrease) in customer deposits	9,074,594	390,986
(Increase) / decrease in financing receivables	(6,342,250)	(2,398,127)
Net cash flows generated from/(used in) operating activities	**8,162,527**	**1,247,834**
INVESTING ACTIVITIES		
(Increase) / decrease in investment securities	(1,072,456)	(1,923,004)
(Increase) / decrease of investment properties	(5,057)	-
Dividend income received	10,147	5,973
(Increase) / decrease of property and equipment	(54,272)	(67,716)
Net cash flows generated from/(used in) investing activities	**(1,121,638)**	**(1,984,747)**
FINANCING ACTIVITIES		
Issuance of sukuk	-	1,836,250
Repayment of sukuk payable (refer note 16)	-	(3,672,500)
Net cash flows generated from/(used in) financing activities	**-**	**(1,836,250)**
Increase / (decrease) in cash and cash equivalents (refer Note 34)	**7,040,889**	**(2,573,163)**

The attached notes 1 to 39 form an integral part of these Group consolidated financial statements.
The independent auditor’s report is set out on pages 1 - 6.

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP					
	Issued capital	**Legal and statutory reserve**	**Other reserves**	**Fair value reserve**	**Retained earnings**	**Total**
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2022	5,430,422	691,025	543,043	112,390	1,774,104	8,550,984
Profit for the year	-	-	-	-	1,240,144	1,240,144
Other comprehensive income/(loss) for the year	-	-	-	(487,866)	8,073	(479,793)
Transfer to reserves	-	124,014	-	-	(124,014)	-
Directors' fees (refer note 26)	-	-	-	-	(7,000)	(7,000)
Zakat	-	-	-	-	(43,993)	(43,993)
Balance as at 31 December 2022	5,430,422	815,039	543,043	(375,476)	2,847,314	9,260,342
Balance as at 1 January 2021	5,430,422	608,717	514,495	187,361	1,111,009	7,852,004
Profit for the year	-	-	-	-	823,085	823,085
Other comprehensive income/(loss) for the year	-	-	-	(74,971)	(482)	(75,453)
Transfer to reserves	-	82,308	28,548	-	(110,856)	-
Directors' fees	-	-	-	-	(7,000)	(7,000)
Zakat	-	-	-	-	(41,652)	(41,652)
Balance as at 31 December 2021	5,430,422	691,025	543,043	112,390	1,774,104	8,550,984

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

The independent auditor's report on the Group consolidated financial statements is set out on pages 1 - 6.

1 CORPORATE INFORMATION

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

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

The Bank is a subsidiary of Emirates NBD Bank PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), a company in which the Government of Dubai is the major shareholder.

The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is http://www.emiratesislamic.ae. In addition to its head office in Dubai, the Bank operates through 42 branches in the UAE. The consolidated financial statements comprise financial statements of the Bank and its following subsidiaries (together referred to as "the Group").

	Date of incorporation & country	Principal activity	Ownership % 31 December 2022	31 December 2021
Emirates Islamic Financial Brokerage Co. LLC*	26 April 2006, UAE	Financial brokerage services	100%	100%
EIB Sukuk Company Limited	6 June 2007, Cayman Islands	Special Purpose Entity	100%	100%
EI Funding Limited	15 May 2014, Cayman Islands	Special Purpose Entity	100%	100%

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

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

*This subsidiary is in the process of being dissolved.

2 BASIS OF ACCOUNTING

Statement of compliance:

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

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

3 FUNCTIONAL AND PRESENTATION CURRENCY

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

4 BASIS OF MEASUREMENT

The Group consolidated financial statements have been prepared under the historical cost basis except for the following:

- Shariah compliant derivatives are measured at fair value;
- financial instruments classified at fair value through profit or loss (FVTPL) are measured at fair value; and,
- financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value.

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

5 USE OF JUDGEMENTS AND ESTIMATES

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

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

(i) Financial instruments

Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the consolidated financial statements of the year ended 31 December 2022 pertain to:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.

- Calculation of expected credit loss (ECL): Assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 2022. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Inputs, assumptions and techniques used for ECL calculation

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

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

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

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

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Financial instruments (continued)

Inputs, assumptions and techniques used for ECL calculation – (continued)

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

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

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

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

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Financial instruments (continued)

Inputs, assumptions and techniques used for ECL calculation (continued)

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

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

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

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

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

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

The table below summarizes key macroeconomic indicators included in the economic scenarios on 31 December 2022 for the years ending 2022 to 2026.

	Base Scenario					**Upside Scenario**					**Downside Scenario**				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
UAE															
Oil Price – USD	102	92	72	69	69	102	89	71	69	69	102	90	60	65	67
GDP - Change %	7.5	2.2	3.0	2.6	2.7	7.5	3.5	4.4	2.7	2.7	7.5	(1.1)	(1.0)	3.5	4.3
Imports - AED in Bn	1031	1170	1281	1356	1425	1031	1173	1300	1397	1486	1031	1104	1115	1146	1202

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

5 USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

(i) Financial instruments (continued)

Inputs, assumptions and techniques used for ECL calculation (continued)

Definition of default

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

Expected Life

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

Governance

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

(ii) Fair value of financial instruments

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

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

(iii) Contingent liability arising from litigations

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

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

6 CHANGES IN ACCOUNTING POLICIES

The Group has consistently applied the accounting policies as set out in Note 7 to all periods presented in these consolidated financial statements, except for the following accounting policies which are applicable from 1 January 2022:

In the current period, the Group has applied the amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS Standards 2018–2020 issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The application of these amendments to IFRSs had no material impact on the amounts reported in the Group consolidated financial statements.

7 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

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

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

Basis of consolidation

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

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

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

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

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

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Basis of consolidation (continued)

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

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

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

(ii) Special Purpose Entities

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

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

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

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

Information about the Group's securitization activities is included in Note 16.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign Currencies

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

(c) Financing Profit

Effective profit rate

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

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

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

Amortised cost

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

Gross carrying amount

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financing Profit (continued)

Presentation

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

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

(d) Income from financing receivables

Revenue is recognised on the respective Islamic products as follows:

Murabaha

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

Istisna'a

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

Ijara

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

Mudaraba

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

Wakala

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

(e) Fees and commission

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Fees and commission (continued)

Fee income is accounted for as follows:

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

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

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

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

(f) Earnings prohibited by Shariah

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

(g) Dividend income

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

(h) Property related income

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

(i) Leases

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

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

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

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

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities

(i) Classification of financial assets and financial liabilities

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

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

- the asset is held within a business model whose objective is 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 profit on the principal amount outstanding.

A financing 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 profit on the principal amount outstanding.

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

All other financial assets are classified as measured at FVTPL.

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

(ii) Recognition and initial measurement

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(iii) Business model assessment:

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

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

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

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

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

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

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

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

Reclassifications:

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(iv) Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

Measurement of ECL

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

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

Restructured financial assets

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(iv) Impairment (continued)

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

Purchased or originated credit impaired assets (POCI)

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

Revolving facilities

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

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

Write-off

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(v) Financial guarantees and financing commitments

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

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

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

(vi) Foreign currencies

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

(vii) Financing receivables

Financing receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 'Financing receivables' captions in the consolidated statement of financial position include:

- Financing receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective profit method and are presented net of expected credit losses; and
- Financing receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss, if applicable.

The following terms are used in financing receivables:

Murabaha

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

Istisna'a

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

Ijara

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(vii) Financing receivables (continued)

Musharaka

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

Mudaraba

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

Wakala

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

These products are carried at amortised cost less impairment.

(viii) Investment securities

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(viii) Investment securities (continued)

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

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

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

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

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

(ix) Derecognition

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

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

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

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

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

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(x) Modification of financial assets and financial liabilities

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

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

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

(xi) Offsetting

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

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

(xii) Fair value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or

(ii) In the absence of principal market, in the most advantageous market for the asset and liabilities.

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

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets and financial liabilities (continued)

(xiii) Designated at FVTPL

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

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

(a) The liabilities are managed, evaluated and reported internally on a fair value basis; or
(b) The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

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

(xiv) Sale and repurchase agreements

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

(k) Islamic derivative financial instruments

Islamic derivative financial instruments include foreign exchange contracts, profit rate swaps and foreign exchange options. Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value. All Islamic derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

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

(l) Cash and cash equivalents

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

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

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventory

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

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date.

(n) Property, equipment and depreciation

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

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

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Freehold premises	25 - 60 years
Freehold improvements	10 years
Leasehold improvements	7 years
Furniture, fixtures and office equipment	5 years
Computer hardware and software	4 - 5 years
Core banking software	5 - 7 years
Motor vehicles	3 - 5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Group consolidated income statement.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investment properties

The Group holds certain properties as investments to earn rental income, for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and accumulated impairment (if any).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in ‘other operating income’ in the year of retirement or disposal.

Transfers to and from investment properties are made only when there is a change in use based on the business model.

(p) Intangible assets

(i) Capitalised software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the Group consolidated income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use.

(ii) Other intangible assets

Intangibles acquired separately are measured on initial recognition at cost. The cost of the intangibles acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible asset are assessed to be either finite or indefinite. Intangibles with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and amortisation method for intangibles with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in an accounting estimate. The amortisation expense on intangibles with finite lives is recognised in the Group consolidated income statement in the expense category consistent with the function of the intangibles.

(q) Impairment of non financial assets

The carrying amounts of the Group’s non-financial assets are reviewed periodically to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (group or units) on a pro rata basis.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Impairment of non financial assets (continued)

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(r) Deposits, financing receivables and sukuks issued

Deposits, financing receivables and sukuks issued are the main sources of funding for the Group.

Deposits, financing receivables and sukuks issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective profit method.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(t) Employee benefits

(i) Pension obligations

The Group operates a pension scheme in respect of eligible UAE national employees in compliance with the UAE Federal Law on Pensions and Social Security. Arrangements for benefits for overseas employees is made in accordance with local regulations and customs. Full provision is made for all accrued benefits.

The Group also pays contributions to trustee administered funds on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

(ii) Termination gratuity benefit scheme

In compliance with UAE labour law, the Group has a termination gratuity benefit scheme covering all of its expatriate salaried employees who have been employed with the Group for more than one year. The provision for gratuity is recorded through the consolidated income statement.

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuities include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The value of the gratuity obligations is based on the report submitted by an independent actuarial firm.

(u) Dividend on shares

Dividends on shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in the Annual General Meeting.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Share capital and reserves

Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(w) Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of potential ordinary shares, if any.

(x) Operating segments

For management purposes, the Group is organised into operating segments based on their products, services and certain subsidiaries which are independently managed by the respective segment managers responsible for the performance of the segments under their charge.

The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29.

(y) Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries,
  (i) controls, is controlled by, or is under common control with, the Group;
  (ii) has any interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;

(b) the party is an associate;
(c) the party is a jointly-controlled entity;
(d) the party is a member of the key management personnel of the Group;
(e) the party is a close member of the family of any individual referred to in (a) or (d); or
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

(z) Profit distribution

Profit distribution between the unrestricted account holders (investment, saving and Wakala accounts) and the Shareholders, is according to the instructions of the Bank's Internal Shariah Supervision Committee.

Net income realised from Mudaraba Pool, at the end of each quarter, represents the net profit available for distribution. Net profit available for distribution between unrestricted account holders and shareholders is calculated after deducting the Mudarib share as per the agreed and declared percentage.

Profit Distribution is on a pro rata-basis of the weighted average balances of unrestricted customers' accounts and Shareholders' funds. No priority is given to either party in the Mudaraba Pool.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Zakat

The Bank discharges Zakat (Alms) as per its Articles of Association. The Bank calculates Zakat based on the guidance of its Internal Shariah Supervision Committee as follows:

- Zakat is calculated as per the Net Investment Asset method.
- Zakat is disbursed to Shariah channels through a committee formed by the management.

(ab) Profit equalization reserve

Profit equalization reserves are amounts appropriated out of the common mudaraba pool's income, before allocating the mudarib share, in order to maintain a certain level of return on investments for all the investment accountholders and other investors in the common mudaraba pool.

(ac) Depositors' investment risk reserve

Depositors' investment risk reserve represents a portion of the depositors' share of profits set aside as a reserve. This reserve is payable to the depositors upon the approval of the Bank's Internal Sharia Supervision Committee. Zakat on depositors' investment risk reserve is included under Zakat payable and is deducted from the depositors' investment risk reserve balance

(ad) Revenue recognition

Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group also operates a rewards programme which allows customers to accumulate points when they purchase products on the Group's credit cards. The points can then be redeemed for shopping rewards, cash back or air miles, subject to a minimum number of points being obtained.

(ae) IBOR Transition (Profit Rate Benchmark Reforms)

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The areas impacted by the reforms include application of practical expedient for accounting for modifications to financial instruments that are measured at other than fair value through profit or loss when transactions are updated for the new Risk Free Rate (RFR) rates (will not result in derecognition), relief on changes to hedge designations and hedge documentation (a change to hedge designations and hedge documentation required by IBOR reform would not result in discontinuation of hedge accounting) and providing disclosures that enable users to understand nature and extent of risks arising from profit rate benchmark reform to which the Group is exposed and how it manages those risks. The amendments are applied retrospectively with no restatement required for prior periods.

As a result of the Phase 2 reforms, when the contractual terms of non-derivative financial instruments have been amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change), the Group changes the basis for determining the contractual cash flows prospectively by revising the effective profit rate updated to reflect the change in an profit rate benchmark from IBOR to Risk Free Rate (RFR) without adjusting the carrying amount. If additional changes are made, which are not economically equivalent, the applicable requirements of IFRS 9 are applied to the additional changes.

The Group is primarily exposed to GBP and USD LIBOR which are subject to the profit rate benchmark reform. The exposures arise on Shariah compliant derivatives and non-derivative financial assets and liabilities.

7 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) IBOR Transition (Profit Rate Benchmark Reforms) (continued)

Summary of transition

The table below shows the Group's exposure at the year end to significant IBORs subject to reform that have yet to transition to RFRs. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future. The table below excludes the exposures that will expire before the transition.

31 December 2022 in AED 000	Non-derivative financial assets – carrying value	Non-derivative financial liabilities – carrying value	Islamic derivatives Nominal amount
LIBOR USD (1 month)	-	-	-
LIBOR USD (3 months)	1,503,078	-	448,605
LIBOR USD (6 months)	602,247	-	4,616
LIBOR USD (12 months)	-	-	-
Cross currency swaps			
Cross Currency USD	-	-	286,684

The Group closely monitors the market and the output from the various industry working groups managing the transition to new benchmark interest rates. GBP LIBOR has already transitioned to SONIA and management continues to run the project on the Group's transition activities on USD LIBOR to SOFR and engages with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

GBP LIBOR discontinued from 1 January 2022. USD LIBOR will discontinue from 30 June 2023.

(af) Corporation tax in UAE

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to enact a new CT regime in the UAE. The new CT regime will become effective for accounting periods beginning on or after 1 June 2023.

As the Group's accounting year ends on 31 December, accordingly the effective implementation date for the Group will start from 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The CT Law confirms the rate of 9% to be applied to taxable income exceeding a specified threshold. The Group may be subject to application of Global Minimum Tax rate of 15% which is dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) - Pillar Two rules by the countries where the Group operates and a top-up tax regime by UAE MOF.

8 STANDARDS ISSUED BUT NOT YET ADOPTED

Certain new standards (IFRS 17 *"Insurance Contracts"*), amendments to standards and interpretations (annual improvements to IFRS, amendments to IAS 1, IAS 8 and IAS 12) are not yet effective for the year ended 31 December 2022, with the Group not opting for early adoption.

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

9 CASH AND DEPOSITS WITH THE CENTRAL BANK OF THE UAE

	2022 AED 000	2021 AED 000
Cash	517,586	485,196
Statutory and other deposits with the Central Bank of the UAE	4,321,753	2,799,354
Murabaha with the Central Bank of the UAE	7,186,947	7,403,616
	12,026,286	10,688,166

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

10 DUE FROM BANKS

31 December 2022	Local (UAE) AED 000	Foreign AED 000	Total AED 000
Time	1,072,824	2,594,301	3,667,125
Overnight, call and short notice	677,513	278,938	956,451
Gross due from banks	1,750,337	2,873,239	4,623,576
Less: Expected credit losses			(9,100)
			4,614,476

31 December 2021	Local (UAE) AED 000	Foreign AED 000	Total AED 000
Time	575,826	2,097,804	2,673,630
Overnight, call and short notice	79	99,308	99,387
Gross due from banks	575,905	2,197,112	2,773,017
Less: Expected credit losses			(4,299)
			2,768,718

11 INVESTMENT SECURITIES

	Domestic*	Regional**	International***	Total
31 December 2022	AED 000	AED 000	AED 000	AED 000
DESIGNATED AS AT FVTPL				
Equity	106,600	64,182	-	170,782
Others	-	-	116	116
	106,600	64,182	116	170,898
MEASURED AT AMORTISED COST				
Government Sukuk	114,469	902,379	-	1,016,848
Corporate Sukuk	-	-	243,553	243,553
	114,469	902,379	243,553	1,260,401
Less: Expected credit losses				(491)
				1,259,910
MEASURED AT FVOCI				
Government Sukuk	-	80,730	449,653	530,383
Corporate Sukuk	3,148,834	858,405	1,416,828	5,424,067
	3,148,834	939,135	1,866,481	5,954,450
Less: Expected credit losses				(29,387)
				5,925,063
Gross investment securities	3,369,903	1,905,696	2,110,150	7,385,749
Net investment securities				7,355,871

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East.
***International: These are securities issued outside the Middle East.

11 INVESTMENT SECURITIES (CONTINUED)

	Domestic*	Regional**	International***	Total
31 December 2021	AED 000	AED 000	AED 000	AED 000
DESIGNATED AS AT FVTPL				
Equity	41,135	108,723	-	149,858
Others	2,267	-	725	2,992
	43,402	108,723	725	152,850
MEASURED AT AMORTISED COST				
Government Sukuk	114,833	819,175	-	934,008
Corporate Sukuk	-	92,404	82,674	175,078
	114,833	911,579	82,674	1,109,086
Less: Expected credit losses				(3,568)
				1,105,518
MEASURED AT FVOCI				
Government Sukuk	-	85,191	184,295	269,486
Corporate Sukuk	3,426,911	858,738	882,874	5,168,523
	3,426,911	943,929	1,067,169	5,438,009
Less: Expected credit losses				(11,799)
				5,426,210
Gross investment securities	3,585,146	1,964,231	1,150,568	6,699,945
Net investment securities				6,684,578

*Domestic: These are securities issued within the UAE.
**Regional: These are securities issued within the Middle East.
***International: These are securities issued outside the Middle East.

12 FINANCING RECEIVABLES

	2022 AED 000	2021 AED 000
At Amortised Cost		
Murabaha	32,616,411	29,956,988
Credit cards receivable	2,287,312	1,646,713
Wakala	364,502	208,386
Istissna'a	1,306,557	873,178
Ijara	17,820,042	15,581,507
Others	115,001	76,797
	54,509,825	48,343,569
Less: Deferred income	(1,428,178)	(1,310,471)
Gross financing receivables	53,081,647	47,033,098
Less: Expected credit losses	(4,712,669)	(4,419,074)
Net financing receivables	48,368,978	42,614,024
Total of impaired financing receivables	3,692,074	3,843,720

By Business Units	2022 AED 000	2021 AED 000
Corporate banking	20,768,213	18,393,855
Retail banking	32,313,434	28,639,243
	53,081,647	47,033,098

Ijara assets amounting to AED 2.3 billion [2021: AED 2.3 billion] were securitised for the purpose of issuance of Sukuk liability (refer note 16).

Allowances of impairment on financing receivables have been disclosed in further detail in note 36 I.

13 OTHER ASSETS

	2022	2021
	AED 000	AED 000
Profit receivable	153,644	134,705
Prepayments and other advances	96,871	18,696
Sundry financing and other receivables	14,924	12,744
Deferred sales commission	21,852	23,838
Goods available-for-sale	77,855	80,509
Others	395,247	394,249
	760,393	664,741

14 DUE TO BANKS

	2022	2021
	AED 000	AED 000
Demand and call deposits	42,636	60,245
Time and other deposits	1,837,445	2,488,187
	1,880,081	2,548,432

The profit paid on the above averaged 1.50% p.a. (2021: 0.07% p.a).

15 CUSTOMER DEPOSITS

		2022	2021
(a)	By Type	AED 000	AED 000
	Demand, call and short notice	24,921,802	21,864,782
	Wakala	13,028,063	8,237,704
	Time deposits	1,861,928	2,206,960
	Savings	15,957,744	14,650,042
	Others	574,118	309,573
		56,343,655	47,269,061

		2022	2021
(b)	By Business Units	AED 000	AED 000
	Corporate banking	12,874,573	9,201,462
	Retail banking	43,469,082	38,067,599
		56,343,655	47,269,061

The profit rates paid on the above deposits averaged 0.50% p.a. (2021: 0.27% p.a.).

16 SUKUK PAYABLE

a) The Group issued sukuk amounting to AED 3.7 billion during 2020 and 2021 to raise US Dollar denominated medium term finance via a Shariah compliant sukuk financing arrangement. As at 31 December 2022, the total outstanding sukuk payable is AED 3.7 billion.

Following are the details of all the sukuk financing arrangement in issue.

Issue Date	Amount (USD)	Listing	Profit rate (%)	Payment basis	Maturity
September 2020	500,000,000	Irish Stock Exchange & Nasdaq	1.827	Semi annual	September 2025
October 2021	500,000,000	Irish Stock Exchange & Nasdaq	2.082	Semi annual	November 2026

The Bank transferred certain identified Ijara assets totaling to AED 2.3 billion (the "co-owned assets") to its subsidiary, EIB Sukuk company limited – (the "Issuer"), a special purpose vehicle formed for the issuance of these sukuk. For Sukuk issued during 2020 and 2021, the Bank has further entered into a Murabaha with the Sukukholders for an amount of AED 1.5 billion. This medium term finance is carried at amortised cost.

In substance, the co-owned assets remain in control of the Group; accordingly, these assets continue to be recognised by the Group. In case of any default, the Group has provided an undertaking to make good all losses to the sukuk holders. The assets are in the control of the Group and shall continue to be serviced by the Group.

The Issuer will pay a semi-annual distribution amount from returns received in respect of the co-owned assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the sukuk holders on the semi-annual distribution dates. Upon maturity of the sukuk, the Group has undertaken to repurchase the assets at the exercise price.

	2022 AED 000	2021 AED 000
Balance as at 1 January	3,672,500	5,510,933
Issuances	-	1,836,250
Repayments	-	(3,672,500)
Other movements	-	(2,183)
Balance at 31 December	3,672,500	3,672,500

As at 31 December 2022, the outstanding Sukuk payable totaling AED 3,673 million (31 December 2021: AED 3,673 million) is falling due as below:

	2022 AED 000	2021 AED 000
2025	1,836,250	1,836,250
2026	1,836,250	1,836,250
	3,672,500	3,672,500

b) On 15 May 2015, EI Funding Limited (the "SPE") was incorporated under Companies Law of Cayman Islands as a Special Purpose Entity. The principal activities of the company are to purchase portfolio of assets through issuance of notes. The securitization will result in a certificate pool that will be listed on the NASDAQ clearing system (off market) for private-purpose, over-the-counter dealing. The underlying Shariah structure has been approved by the Bank's Internal Shariah Supervision Committee.

The Bank has transferred part of its investment portfolio to EI Funding Limited (incorporated under Cayman Islands laws). However, the Group retains control over the transferred assets and hence the Group continues to recognize these assets as financing and the investment assets.

17 OTHER LIABILITIES

	2022 AED 000	2021 AED 000
Profit payable to depositors	141,374	41,996
Staff related liabilities	158,055	153,622
Managers' cheques	504,412	325,821
Trade and other payables	333,159	353,197
Zakat payable	44,065	41,652
Others	1,310,732	1,033,325
	2,491,797	1,949,613

18 ISSUED CAPITAL AND SHARE PREMIUM RESERVE

	2022 AED 000	2021 AED 000
Authorized Share Capital		
10,000,000,000 (2021: 10,000,000,000) ordinary shares of AED 1 each (2021: AED 1 each)	10,000,000	10,000,000
Issued and fully paid up capital		
5,430,422,000 (2021: 5,430,422,000) ordinary shares of AED 1 each (2021: AED 1 each)	5,430,422	5,430,422

19 RESERVES

Legal and statutory reserve

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

Other reserve

10% of the profit is also transferable to a non-distributable regular reserve until such time as this reserve equals 10% of the Bank's issued capital. Since the regular reserve is equal to 10% of the Bank's issued capital, profit was not appropriated to the regular reserve during the year.

	Legal and statutory reserve AED 000	Other reserves AED 000	Total AED 000
At 1 January 2022	691,025	543,043	1,234,068
Transfer from retained earnings*	124,014	-	124,014
At 31 December 2022	815,039	543,043	1,358,082

*Prior year comparatives are shown in the consolidated statement of changes in equity.

Fair value reserve

Fair value reserve includes the net change in fair value of FVOCI financial assets.

20 INCOME FROM FINANCING RECEIVABLES AND INVESTMENT PRODUCTS

	2022 AED 000	2021 AED 000
Financing receivables		
- Murabaha	1,441,439	1,012,978
- Ijara	650,488	450,317
- Istisna'a	39,329	40,199
Investment securities measured at FVOCI	174,150	141,687
Investment securities measured at amortised cost	34,579	37,451
Others	355,335	257,713
	2,695,320	1,940,345

21 DISTRIBUTION ON DEPOSITS AND PROFIT PAID TO SUKUK HOLDERS

	2022 AED 000	2021 AED 000
Distribution to depositors	286,127	135,749
Profit paid to sukuk holders	73,934	93,407
	360,061	229,156

Distribution on deposits represents the share of income between depositors and equity holders. The allocation and distribution to depositors is approved by the Internal Shariah Supervision Committee.

Profit paid to sukuk holders represents the distribution of returns received in respect of assets transferred to the EIB Sukuk Company Limited which was specifically formed for this transaction.

22 FEE AND COMMISSION INCOME

	2022 AED 000	2021 AED 000
Commission income	71,353	60,224
Fee income	758,177	665,960
Total fee and commission income	829,530	726,184

23 OTHER OPERATING INCOME

	2022 AED 000	2021 AED 000
Dividend income on equity investments measured at FVTPL	10,147	5,973
Gain from sale of sukuk measured at FVOCI	1,056	267
Gain / (loss) from investment securities designated at fair value through profit or loss	22,417	(3,285)
Rental income (net of depreciation)	2,396	(443)
Gain / (loss) on sale of properties (investment properties / inventories)	11,544	-
Foreign exchange and Islamic derivative income / (loss)*	340,631	281,837
Other income (net)	3,471	33,183
	391,662	317,532

*Foreign exchange income comprises translation gain and gain on dealings with customers.

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 AED 000	2021 AED 000
Staff cost	594,832	480,172
Recharges from group companies	351,699	288,124
Depreciation	86,939	87,397
Others*	505,550	335,407
	1,539,020	1,191,100

*Others include occupancy, communication, marketing, equipment and supplies, legal and other expenses.

25 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

The charge to the income statement for the net impairment loss on financial assets is made up as follows:

	2022 AED 000	2021 AED 000
Net impairment of due from banks	4,802	(12,198)
Net impairment of investment securities	14,509	(16,425)
Net impairment of financing receivables (refer note 36 I)	587,296	593,079
Net impairment of unfunded exposures	(393)	(57,532)
Bad financing written off / (recovery) - net	(204,653)	(174,478)
Net impairment loss on financial assets	401,561	332,446

26 DIRECTORS FEES

This comprises of fees payable to the directors of the Group of AED 7 million (2021: AED 7 million).

27 EARNINGS PER SHARE

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential ordinary shares, if any.

	2022	2021
Net profit for the year (AED '000)	1,240,144	823,085
Weighted average number of ordinary shares in issue ('000)	5,430,422	5,430,422
Earnings per share* (AED)	0.228	0.152

*The diluted and basic EPS were the same at the year end.

28 ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

31 December 2022

	Positive fair value	Negative fair value	Notional amount	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	3,534	(2,524)	5,020,278	2,983,492	2,036,786	-	-	-
Foreign exchange options	3,505	(3,612)	136,799	28,303	51,889	56,607	-	-
Profit rate swaps/caps	177,079	(185,364)	9,419,651	-	299,238	2,719,659	3,312,199	3,088,555
Total	184,118	(191,500)	14,576,728	3,011,795	2,387,913	2,776,266	3,312,199	3,088,555

31 December 2021

	Positive fair value	Negative fair value	Notional amount	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Islamic Derivative financial instruments:								
Forward foreign exchange contracts	3,152	(1,328)	2,144,139	380,013	794,061	13,451	586,971	369,643
Foreign exchange options	1,902	(1,993)	208,467	5,105	50,203	137,843	15,316	-
Profit rate swaps/caps	113,322	(123,294)	12,266,731	3,863,901	2,038,457	473,644	5,345,519	545,210
Total	118,376	(126,615)	14,619,337	4,249,019	2,882,721	624,938	5,947,806	914,853

28 ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group and potential future fluctuations. All credit exposure is managed under approved facilities and in certain cases collateralized. The Group takes a Credit Value Adjustment (CVA) on outstanding derivative transactions. The methodology for CVA calculation relies on three components: the probability of default of the counterparty, the expected positive exposure and the recovery rate. CVA is computed on all asset classes including Foreign Exchange and Profit Rates.

29 OPERATING SEGMENTS

The Group's activities comprise the following main business segments:

Corporate and institutional banking

Within this business segment, the Bank provides to corporate customers a range of products and services and accepts their deposits.

Retail banking and wealth management

Retail segment provides a wide range of products and services to individuals and small and medium enterprises and accepts their deposits.

Treasury

Treasury activities comprises of managing the Group's portfolio of investments, funds management, and interbank treasury operations, and brokerage services.

Others

Other operations of the Group include operations and support functions.

29 OPERATING SEGMENTS (CONTNUED)

31 December 2022	Corporate and institutional banking	Retail banking and wealth management	Treasury	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Net income from financing and investment products	480,201	1,524,549	153,211	177,298	2,335,259
Net fees, commission & other income	157,800	641,137	34,804	13,025	846,766
Total operating income	638,001	2,165,686	188,015	190,323	3,182,025
General administrative and other expenses	(79,617)	(795,608)	(19,817)	(643,978)	(1,539,020)
Net impairment loss	(96,427)	(290,411)	(15,152)	(871)	(402,861)
Net profit/(loss) for the year	461,957	1,079,667	153,046	(454,526)	1,240,144
Segment Assets	22,756,036	35,742,529	15,961,677	303,476	74,763,718
Segment Liabilities and Equity	14,579,936	45,415,535	1,138,899	13,629,348	74,763,718

29 OPERATING SEGMENTS (CONTNUED)

31 December 2021	Corporate and institutional banking	Retail banking and wealth management	Treasury	Others	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Net income from financing and investment products	343,745	1,338,867	12,210	16,367	1,711,189
Net fees, commission & other income	138,459	526,559	23,318	(1,530)	686,806
Total operating income	482,204	1,865,426	35,528	14,837	2,397,995
General administrative and other expenses	(74,539)	(690,245)	(20,630)	(405,686)	(1,191,100)
Net impairment loss	(144,704)	(216,939)	30,024	(52,191)	(383,810)
Net profit/(loss) for the year	262,961	958,242	44,922	(443,040)	823,085
Segment Assets	19,316,816	30,932,700	14,316,369	338,520	64,904,405
Segment Liabilities and Equity	10,422,561	39,663,574	894,332	13,923,938	64,904,405

30 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are as follows:

	2022 AED 000	2021 AED 000
Letters of credit	648,689	477,237
Guarantees	5,461,759	4,565,004
Liability on risk participations	-	123,001
Irrevocable financing commitments*	1,489,294	1,788,982
	7,599,742	6,954,224

*Irrevocable financing commitments represent a contractual commitment to permit draw downs on a facility within a defined period subject to conditions precedent and termination clauses. Since commitments may expire without being drawn down, and as conditions precedent to draw down have to be fulfilled the total contract amounts do not necessarily represent exact future cash requirements.

The table below summarizes the stage wise balances of unfunded exposures and customer acceptances and ECL thereon:

AED 000	31 December 2022		31 December 2021	
	Stage 1	Stage 2	Stage 1	Stage 2
Unfunded exposures	7,923,217	600,368	7,353,313	388,111
ECL on unfunded exposures	19,201	52	19,470	177

Unfunded exposure includes guarantees, standby letter of credits and irrevocable financing commitments.

(a) Acceptance

Under IFRS 9, acceptances are recognised on balance sheet with a corresponding liability. Accordingly, there is no off balance sheet commitment for acceptances.

(b) Capital Commitments

The Group has commitments as at 31 December 2022 for branch refurbishments and automation projects of AED 9.7 million (2021: AED 17.2 million).

31 RELATED PARTY TRANSACTIONS

The Group is owned by Emirates NBD (99.9%), which is partially owned by the Investment Corporation of Dubai (55.75%). The Government of Dubai is the major shareholder in Investment Corporation of Dubai.

Customer accounts from and financing to Government related entities, other than those that have been individually disclosed, amount to 16.0% and 4.0% (2021: 9.9% and 3.9%) of the total customer's deposits and financing receivables of the Group, respectively.

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

The Group has also entered into transactions with certain other related parties who are non-government related entities. Such transactions were also made on substantially the same terms, including profit rates and collaterals, as those prevailing at the same time for comparable transactions with third parties and do not involve more than a normal amount of risk.

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

No impairment losses have been recorded against balances outstanding during the period with key management personnel and their immediate relations at the year end.

Related party balances and transactions are carried out on normal commercial terms and are as follows:

	2022 AED 000	2021 AED 000
Financing and other receivables		
To parent and related companies	971,157	265,997
To directors and related companies	8,671	8,139
To key management personnel and affiliates	164	3,287
	979,992	277,423
Customer deposits and other payables		
From ultimate parent company	183,635	10
From parent and related companies	1,505,156	1,943,970
From directors and related companies	161	107
From key management personnel and affiliates	17,847	9,494
	1,706,799	1,953,581
Investment securities and derivatives		
Investment in ultimate parent company	191,577	202,953
Positive fair value of derivative - Parent and related companies	103,257	64,747
Negative fair value of derivative - Parent and related companies	(81,130)	(70,862)
Notional amount of derivative - Parent and related companies	9,725,512	10,748,427
Group Consolidated Income Statement		
Recharges from group companies	(351,699)	(288,124)
Income from investment in ultimate parent company	6,443	5,733
Income on financing receivables		
From parent and related companies	12,527	5,846
Distribution on deposits		
To ultimate parent company	4,061	1,581
To parent and related companies	8,591	10

31 RELATED PARTY TRANSACTIONS (CONTINUED)

The total amount of compensation paid to key management personnel of the Group during the year was as follows:

	2022 AED 000	2021 AED 000
Key management compensation		
Short term employee benefits	18,770	17,399
Post employment benefits	2,581	2,475

32 GEOGRAPHICAL DISTRIBUTION OF ASSETS AND LIABILITIES

The Group's financial position, before taking into account any collateral held or other credit enhancement, can be analysed by the following regions:

31 December 2022	UAE AED 000	Other GCC AED 000	International AED 000	Total AED 000
ASSETS				
Cash and deposits with the Central Bank of the UAE	12,026,286	-	-	12,026,286
Due from banks	1,741,237	566,044	2,307,195	4,614,476
Investment securities	3,350,752	1,903,631	2,101,488	7,355,871
Financing Receivables	45,760,022	1,521,522	1,087,434	48,368,978
Positive fair value of Islamic derivatives	184,118	-	-	184,118
Customer acceptances	923,843	-	-	923,843
Investment properties	280,547	-	-	280,547
Property and equipment	249,206	-	-	249,206
Other assets	760,393	-	-	760,393
TOTAL ASSETS	**65,276,404**	**3,991,197**	**5,496,117**	**74,763,718**
LIABILITIES				
Due to banks	1,410,407	269,742	199,932	1,880,081
Customer deposits	55,596,057	278,346	469,252	56,343,655
Sukuk payable	3,672,500	-	-	3,672,500
Negative fair value of Islamic derivatives	191,500	-	-	191,500
Customer acceptances	923,843	-	-	923,843
Other liabilities	2,491,797	-	-	2,491,797
Total equity	9,260,342	-	-	9,260,342
TOTAL LIABILITIES AND EQUITY	**73,546,446**	**548,088**	**669,184**	**74,763,718**
Geographical distribution of letters of credit and guarantees	5,920,252	124,134	66,062	6,110,448

31 December 2021				
Geographical distribution of assets	57,671,877	4,743,917	2,488,611	64,904,405
Geographical distribution of liabilities and equity	63,870,730	593,407	440,268	64,904,405
Geographical distribution of letters of credit and guarantees	5,021,610	-	20,631	5,042,241

33 FINANCIAL ASSETS AND LIABILITIES

A. Classification of financial assets and financial liabilities

The table below sets out the Group's classification of each class of financial assets and liabilities, and their carrying values.

31 December 2022	FVTPL	FVOCI	Amortised cost*	Total carrying value
	AED 000	AED 000	AED 000	AED 000
Financial assets				
Cash and deposits with the Central Bank of the UAE	-	-	12,026,286	12,026,286
Due from banks	-	-	4,614,476	4,614,476
Investment securities	170,898	5,925,063	1,259,910	7,355,871
Financing receivables	-	-	48,368,978	48,368,978
Positive fair value of Islamic derivatives	184,118	-	-	184,118
Others	-	-	1,487,658	1,487,658
	355,016	5,925,063	67,757,308	74,037,387
Financial liabilities				
Due to banks	-	-	1,880,081	1,880,081
Customer deposits	-	-	56,343,655	56,343,655
Sukuk payable	-	-	3,672,500	3,672,500
Negative fair value of Islamic derivatives	191,500	-	-	191,500
Others	-	-	3,415,640	3,415,640
	191,500	-	65,311,876	65,503,376

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

33 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

A. Classification of financial assets and financial liabilities (continued)

31 December 2021	FVTPL	FVOCI	Amortised cost*	Total carrying value
	AED 000	AED 000	AED 000	AED 000
Financial assets				
Cash and deposits with the Central Bank of the UAE	-	-	10,688,166	10,688,166
Due from banks	-	-	2,768,718	2,768,718
Investment securities	152,850	5,426,210	1,105,518	6,684,578
Financing receivables	-	-	42,614,024	42,614,024
Positive fair value of Islamic derivatives	118,376	-	-	118,376
Others	-	-	1,328,898	1,328,898
	271,226	5,426,210	58,505,324	64,202,760
Financial liabilities				
Due to banks	-	-	2,548,432	2,548,432
Customer deposits	-	-	47,269,061	47,269,061
Sukuk payable	-	-	3,672,500	3,672,500
Negative fair value of Islamic derivatives	126,615	-	-	126,615
Others	-	-	2,736,813	2,736,813
	126,615	-	56,226,806	56,353,421

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

33 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

B. Fair value of financial instruments

The table below analyses financial instruments measured at fair value on a recurring basis. The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in principal markets for identified assets or liabilities.
- Level 2: valuation using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: valuation using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2022	AED 000	AED 000	AED 000	AED 000
Investment securities				
FVOCI				
Government sukuk	522,128	-	-	522,128
Corporate sukuk	5,402,935	-	-	5,402,935
	5,925,063	-	-	5,925,063
Designated at FVTPL				
Equity	-	106,600	64,182	170,782
Others	-	-	116	116
	-	106,600	64,298	170,898
Positive fair value of islamic derivatives	-	184,118	-	184,118
Negative fair value of islamic derivatives	-	(191,500)	-	(191,500)
	5,925,063	99,218	64,298	6,088,579

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL
	AED 000
Balance as at 1 January 2022	150,583
Total gains or losses:	
- in profit or loss	(49,650)
Transfers out of level 3	(36,635)
Settlements and other adjustments	-
Balance as at 31 December 2022	64,298

33 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

B. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
31 December 2021	AED 000	AED 000	AED 000	AED 000
Investment securities				
FVOCI				
Government sukuk	269,067	-	-	269,067
Corporate sukuk	5,157,143	-	-	5,157,143
	5,426,210	-	-	5,426,210
Designated at FVTPL				
Equity	-	-	149,858	149,858
Others	2,267	-	725	2,992
	2,267	-	150,583	152,850
Positive fair value of Islamic derivatives	-	118,376	-	118,376
Negative fair value of Islamic derivatives	-	(126,615)	-	(126,615)
	5,428,477	(8,239)	150,583	5,570,821

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

	Designated at FVTPL
	AED 000
Balance as at 1 January 2021	159,647
Total gains or losses:	
- in profit or loss	(8,849)
Transfers out of level 3	-
Settlements and other adjustments	(215)
Balance as at 31 December 2021	150,583

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental.

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2022 and 31 December 2021.

34 NOTES TO THE GROUP CONSOLIDATED CASH FLOW STATEMENT

	2022 AED 000	2021 AED 000
(a) Analysis of changes in cash and cash equivalents during the year		
Balance at beginning of year	56,430	2,629,593
Net cash inflow/(outflow)	7,040,889	(2,573,163)
Balance at end of year	7,097,319	56,430
(b) Analysis of cash and cash equivalents		
Cash and deposits with the Central Bank of the UAE	12,026,286	10,688,166
Due from banks	4,623,576	2,773,017
Due to banks	(1,880,081)	(2,548,432)
	14,769,781	10,912,751
Less : Deposits with Central Bank for regulatory purposes	(3,013,129)	(2,727,438)
Less : Murabaha with Central Bank maturing after three months	(2,580,486)	(5,503,224)
Less : Amounts due from banks maturing after three months	(2,232,793)	(2,625,659)
Add : Amounts due to banks maturing after three months	153,946	-
	7,097,319	56,430
(c) Adjustment for non cash and other items		
Impairment loss / (reversal) on due from banks / other assets	4,802	(12,198)
Impairment loss / (reversal) on investment securities	14,509	(16,425)
Impairment loss on financing receivables	587,296	593,079
Impairment loss on unfunded exposures	(393)	(57,532)
Dividend income on equity investments	(10,147)	(5,973)
Depreciation / impairment on property and equipment / investment properties	101,047	154,805
Unrealized (gain) / loss on investments	(101,212)	7,087
(Gain) / loss on sale of properties (investment properties / inventories)	(11,544)	-
Sukuk premium amortization	-	(2,183)
	584,358	660,660

35 CAPITAL MANAGEMENT AND ALLOCATION

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

Minimum Capital Requirements

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital.

Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) introduced over and above the minimum CET1 requirement of 7%.

Regulatory Capital

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.

- AT1 capital comprises eligible non-common equity capital instruments. The Group does not have AT1 capital at the end of reporting period.

- T2 capital comprises qualifying subordinated financing, and undisclosed reserve.

35 CAPITAL MANAGEMENT AND ALLOCATION (CONTINUED)

The capital overview as per Basel III framework is given below:

	2022 AED 000	2021 AED 000
Available capital		
Common equity tier 1 capital	9,427,854	8,489,170
Tier 1 capital	9,427,854	8,489,170
Total eligible capital	10,033,965	9,010,133
Risk-weighted assets		
Credit risk	48,488,869	41,677,075
Market risk	84,066	61,961
Operational risk	4,196,721	3,919,991
Total risk-weighted assets	52,769,656	45,659,027

Capital Ratio	2022	2021
a. Total capital ratio for consolidated Group	19.01%	19.73%
b. Tier 1 ratio only for consolidated Group	17.87%	18.59%
c. CET1 ratio only for consolidated Group	17.87%	18.59%

35 CAPITAL MANAGEMENT AND ALLOCATION (CONTINUED)

The capital adequacy ratios as per Basel III capital regulation are given below:

	2022 AED 000	2021 AED 000
Common Equity Tier 1 (CET1) Capital		
Share Capital	5,430,422	5,430,422
Eligible reserves	982,607	1,284,644
Transitional arrangement: Partial addback of ECL impact to CET1	209,588	-
Retained earnings / (-) loss	2,847,314	1,774,104
CET1 capital before the regulatory adjustments and threshold deduction	**9,469,931**	**8,489,170**
Less: Regulatory deductions	(42,077)	-
Total CET1 capital after the regulatory adjustments and threshold deduction	**9,427,854**	**8,489,170**
Total CET1 capital after transitional arrangement for deductions (CET1) (A)	**9,427,854**	**8,489,170**
Additional Tier 1 (AT1) Capital		
Eligible AT1 capital	-	-
Other AT1 Capital (e.g. Share premium, non-controlling interest)	-	-
Total AT1 capital	**-**	**-**
Total AT1 capital after transitional arrangements (AT1) (B)	**-**	**-**
Tier 2 (T2) Capital		
Other Tier 2 capital (including General Provisions, etc.)	606,111	520,963
Total T2 Capital	**606,111**	**520,963**
Total T2 capital after transitional arrangements (T2) (C)	**606,111**	**520,963**
Total Regulatory Capital (A+B+C)	**10,033,965**	**9,010,133**

36 RISK MANAGEMENT

The primary risks to the Group arise from extending credit to corporate and institutional banking and retail banking and wealth management customers. The Group is also exposed to a range of other risk types such as market, operational, liquidity, compliance, reputational, country, market conduct risk and legal that drive the direction of its risk management strategy, product range and risk diversification strategies.

Group Risk Management Framework (GRMF):

The GRMF enables the Group to manage group-wide risks with the objective of maximizing returns while adhering to our risk appetite.

The Group uses a three lines of defense model to support its approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities. The three lines of defense are summarized below:

- Business units: required to ensure the effective management of risks within the scope of their direct organizational responsibilities. All employees within the business units are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled. Each business unit primarily owns the risk that it underwrites and is equally responsible for designing and implementing necessary controls to mitigate risks emanating from its activities.

- Risk control units: responsible for implementing policies and procedures, monitoring risks taken to ensure all risks are within the Group's risk appetite. Appropriate controls are designed and implemented with adequate reporting in place to anticipate future risks and improve the level of preparedness across the management chain.

- Group Internal Audit: provides independent assurance and reports its findings to all relevant management and governance bodies, accountable line managers, relevant oversight function and committee(s) of the Board.

A. Risk governance

The risk governance structure of the group ensures central oversight and control with clear accountability for and ownership of risk.

The Board of Directors (the Board) has the ultimate responsibility for setting Group's risk appetite and for the establishment and oversight of the Group's risk management framework. This is managed through a number of committees; namely Board Risk Committee (BRC), Board Credit & Investment Committee (BCIC) and Board Audit Committee (BAC). The management level committees also actively manage risk particularly the Group Risk Committee (GRC), Management Credit Committee (MCC), Management Investment Committee (MIC) and Asset Liability Management Committee (ALCO).

36 RISK MANAGEMENT (CONTINUED)

A. Risk governance (continued)

BRC comprises of members of the Board and is responsible for risk oversight responsibilities of the Board with regards to risk governance, risk appetite and the risk management framework.The BRC receives reports on risk management including portfolio trends, policies and standards, stress testing, liquidity and capital adequacy and is authorized to investigate or seek any information relating to any activity within its terms of reference.

BCIC supports the Board to manage the credit and investment portfolios of the Bank and is responsible for approval of credit and investment decisions above the MCC and MIC's authority. It oversees the execution of Group's credit risk management and reviews the credit profile of material portfolios to ensure that it is aligned with business strategy and risk appetite.

The primary role BAC is to have oversight and review of financial, audit and internal control issues as well as oversee the independence and performance of group's external and internal auditors.

MCC is management level committee which carries out credit facilities decisions including but not limited to approval and renewal of credit facilities, review and monitor portfolio performance in line with the credit risk strategy, decisions on debt settlement, provisioning write off and amendments to pricing, grades and waiver.

The role of the MIC is to support the Board in the management of the Investment Portfolios of the Group to ensure they conform to the strategic vision of the same and support the Board in monitoring and reporting the performance of these portfolios.

The ALCO is responsible for balance sheet management and quality of the funding plan as well as the management of capital and the establishment of, and compliance with, policies relating to balance sheet management, including management of our liquidity, capital adequacy and structural foreign exchange and profit rate risk. The committee also approves the contingency funding plan as well as the funds transfer pricing among other things.

The GRC is responsible for the management of all risks other than those delegated to MCC, MIC and ALCO and ensures the effective management of risk throughout the group in support of the group's business strategy and group's risk appetite. The committee approves risk policies and analytical models to ensure effective management of credit, market, operational, business continuity and reputational, compliance, market conduct risk and legal and other risks confronting the group.

B. The risk function

The GRMF is managed by the Enterprise and Regulatory Risk. The function is independent of the business (origination, trading and sales functions) to ensure that the necessary balance in risk/return decisions is not compromised by pressures for better results in terms of revenues and to ensure transparency of decisions in accordance with group standards and policies.

Group Risk assists in controlling and actively managing the Group's overall risk profile. The role of the function is:

- To ensure the risk management framework is effectively communicated and implemented across the Group and is appropriate to the Group's activities;
- To exercise direct ownership for various risk types including but not limited to credit, market, country, operational, reputational risks;
- To ensure that the Group's business strategies, risk policies, procedures and methodologies are consistent with the Group's risk appetite;
- To ensure the integrity of the Group's risk/return decisions guaranteeing their transparency;
- To ensure that appropriate risk management architecture and systems are developed and implemented.

36 RISK MANAGEMENT (CONTINUED)

C. Risk appetite

The Group Risk Appetite Statement (Group RAS) is an articulation of the risk that the Group would be willing to accept, underwrite and/or be exposed to in the normal course of its business conduct.

The Group RAS is a critical component and extension of the GRMF. It is a mechanism used by the Group to proactively establish and subsequently monitor the group's risk profile using a set of pre-defined key risk metrics and respective thresholds.

D. Credit risk

Credit risk is the risk of financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligation to the Group. Credit risk arises mainly from interbank, corporate and institutional banking and retail banking and wealth management receivables, and financing commitments arising from such financing activities, but can also arise from credit enhancement provided, such as financial guarantees, letter of credit, endorsement and acceptances.

The Group is also exposed to other credit risks arising from investments in financing securities (sukuk) and other exposures arising from derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk management

Group's approach to credit risk management is based on the foundation of independence and integrity of risk management. This is ensured through a well-defined and robust organisation structure duly supported by various risk committees, forums, systems, policies, procedures and processes providing a strong risk infrastructure and management framework.

The Group's credit policy focuses on the core credit principles, financing guidelines and parameters, control and monitoring requirements, problem financing receivable identification, management of high risk counterparties and provisioning. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Portfolio performance is periodically measured against RAS parameters and breaches, if any, are actioned by the Group's Executive Committee.

Corporate and institutional Banking, Business Bank and Private Banking credit risk management

Credit facilities are granted based on the detailed credit risk assessment of the counterparty. The assessment considers amongst other things the purpose of the facility, sources of re-payment, prevailing and potential macro-economic factors, industry trends, customers' credit worthiness and standing within the industry.

The credit facility administration process is undertaken by an independent function to ensure proper execution of all credit approvals, maintenance of documentation and proactive controls over maturities, expiry of limits and collaterals.

Operations are managed by independent units responsible for processing transactions in line with credit approvals and standard operating guidelines.

Management of Early Alert (EA), Watch List (WL) & Impaired Non Performing Financing Receivables (NPFR) - The Group has a well-defined process for identification of EA, WL & NPFR accounts and dealing with them effectively. There are policies which govern credit grading of EA, WL & NPFR accounts and impairment, in line with IFRS and regulatory guidelines.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk management (continued)

Retail banking credit risk management

The Group has a structured management framework for Retail banking risk management. The framework enables the Group in identification and evaluation of the significance of all credit risks that the Group faces, which may have an adverse material impact on its financial position.

In the retail banking portfolio, losses stem from outright default due to inability or unwillingness of a customer to meet commitments in relation to funding transactions.

The Group's provisioning policy, which is in line with the IFRS and the regulatory guidelines, allows the Group to prudently recognize impairment on its retail portfolios.

Model risk management and independent validation

The Group has utilised models in many of its financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS 9 accounting standards.

To manage the model risks, the Group has implemented the Group Model Governance Framework (the Framework). The Framework is a group wide policy and is applicable to models in all entities and subsidiaries of the Group. According to the Framework, all internally or externally (vendor based) developed risk quantification models that directly affect financial reporting, including Expected Loss (EL), Lifetime Expected Loss (LEL) and Regulatory requirements require independent validation.

The Framework establishes a systematic approach to manage the development, validation, approval, implementation and on-going use of the models. It sets out an effective management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the Framework must be approved by the Board of Directors or the BRC.

The Group has an independent Group Model Validation (GMV) function that performs independent model validation. It provides Fit-for-Purpose (FFP), Conditional Approval (CA) or Not Fit-for-Purpose (NFFP) recommendation for the BRC or an appropriately delegated authority to approve the use of the new risk quantification / valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process. The independency of the team enables it to serve as an effective second line of defense for the bank.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk management (continued)

Credit approving authorities

BCIC has delegated credit approving authorities to the MCC, MIC and members of senior management to facilitate and effectively manage the business. However, BCIC has retained the ultimate authority to approve credits beyond MCC authority.

Credit risk measurement

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

Credit risk grading

The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to various categories of counterparty. Obligor and financing receivable specific information collected at the time of facility application (such as disposable income, and level of collateral for retail exposure; and turnover and industry type considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated, such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the PD between a 1A and 2A rating grade is lower than the difference in the PD between a 3A and 4A rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail:

After the date of initial recognition, for retail business, the payment behavior of the obligor is monitored on a periodic basis to develop a behavioral score. Any other known information about the obligor which impacts their credit worthiness such as: unemployment and previous delinquency history is also incorporated into the behavior score. This score is mapped to a PD.

Corporate and institutional Banking, Business Banking and Private Banking:

Ratings are determined at the obligor level for these segments. A relationship manager incorporates any updated or new information/credit assessment into the credit system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the obligor every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Treasury:

For financing securities (sukuk) in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

The Group's rating method comprises 24 rating levels for instruments not in default (1 to 24) and 4 default classes (25 to 28). The Group's internal rating scale are mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over the time. The rating models are reviewed for recalibration so that they reflect the latest projections in the light of all actually observed defaults.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

ECL measurement

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

- A financial instrument that is not credit-impaired on initial recognized is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.
- ECL is measured after factoring forward-looking information.
- ECL on Purchased or originated credit-impaired financial assets is measured on a lifetime basis.

Significant increase in credit risk
The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

Corporate and Institutional Banking, Business Banking and Private Banking:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at reporting date.

Retail:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk.

Qualitative criteria:
The Group also considers in its assessment of significant increase in credit risk, various qualitative factors like significant adverse changes in business, extension of term granted, actual and expected forbearance or restructuring, early sign of cash flows and liquidity problems.

Backstop:
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets
The Group defines a financial instrument as in default, which is fully aligned with definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative:
The obligor is more than 90 days past due on its contractual payments.

Qualitative:
The obligor meets unlikeliness to pay criteria, which indicates the obligor is in significant financial difficulty. These are instances like long-term forbearance, obligor is insolvent, obligor is entering bankruptcy etc.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

Curing

The Group continues to monitor such financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1).

The Group is observing a probationary period of a minimum of 4 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading such exposures from Stage 3 to 2.

Measuring ECL- Explanations of input, assumptions and estimation techniques

ECL inputs (PD, EAD and LGD) are adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in earlier year) on annual basis. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in ECL computation is the original effective profit rate or an approximation thereof.

The Lifetime PDs are determined based on maturity profile. The maturity profile looks at how defaults develop on a portfolio throughout the remaining life of the financing receivable. The maturity profile is based on historical observed data.

The EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment financings, this is based on the contractual repayments owed by the obligor over the 12 months and lifetime basis. This is also adjusted for any overpayments made by the obligor.
- For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default.

LGDs are computed at facility level. These are based upon information such as exposure, collateral and other criteria's depending upon business segment. In addition, the final LGD is conditioned upon macro-economic outlook.

Forward looking economic information is also included in determining the 12 month and lifetime PD, EAD and LGD.

Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base, upside and downside economic scenario along with scenario weighting") are obtained externally on a quarterly basis.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

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

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

Credit risk monitoring

Corporate and Institutional Banking, Business Banking and Private Banking: the Group's exposures are continuously monitored through a system of triggers and early warning signals. These are supplemented by monitoring of account conduct, assessment of collateral and market intelligence and early alerts.

Early Alert accounts are identified based on oversight, vigilance and risk triggers. Account strategy and action plans on these accounts are regularly monitored and discussed in the Early Alert Committee meetings.

Additionally for IFRS 9 ECL computation, credit exposures are monitored and reported as per IFRS 9 requirements. Stage migrations, any exceptions to SICR criteria, other credit and impairment related matters are reviewed and approved by IFRS 9 Governance Forum.

Retail banking: risks of the Group's financing portfolio are continuously assessed and monitored on the basis of exceptions, management information reports and returns generated by the business and credit units. Credit risk is also monitored on an ongoing basis with formal monthly and quarterly reporting to ensure that senior management is aware of shifts in the credit quality of the portfolio along with changing external factors.

Group credit risk mitigation strategy

The Group operates within prudential exposure ceilings set by the Board in line with the UAE Central Bank guidelines. There are well laid out processes for exception management and escalation.

The Group has adopted measures to diversify the exposures to various sectors. Diversification is achieved by limiting concentration through setting customer, industry and geographical limits.

The risk transfer in the form of syndicated financings and risk participation agreements with other banks are globally accepted practices followed by the Group, where appropriate, to limit its exposure.

36 RISK MANAGEMENT (CONTINUED)

D. Credit Risk (continued)

Credit risk measurement (continued)

Collateral management

Collaterals and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is continuously monitored and assessed and the Group seeks to ensure enforceability of the collateral. Major categories of collaterals include cash/ fixed deposits, inventories, shares, guarantees (corporate, bank and personal guarantees), immovable properties, receivables, gold and vehicles.

Collaterals are revalued regularly as per the Group's credit policy. In addition, ad hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Group to assess the fair market value of the collateral and ensure that risks are appropriately managed. Security structures and legal covenants are also subject to regular review.

Please refer to Pillar 3 disclosures for additional information on collaterals.

Write offs

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

Non performing consumer financing, except for mortgage facilities and home financing, are written off at 181 days past due. All receivables remain active on the financing management system for recovery and any legal strategy the Group may deem fit to use.

36 RISK MANAGEMENT (CONTINUED)

D. Analysis by economic activity for assets:

The Group monitors concentrations of credit risk by economic activity sector. The analysis by economic activity is as follows:

	2022		2021	
	Financing receivables	Others	Financing receivables	Others
Manufacturing	2,614,767	323,360	2,072,734	309,559
Construction	768,790	315,448	780,129	340,839
Trade	5,223,456	-	5,185,066	-
Transport and communication	83,295	977,126	886,282	961,034
Utilities and services	1,479,023	561,878	1,268,923	558,729
Sovereign	793,730	1,547,220	502,451	1,203,494
Personal	32,609,059	-	29,513,889	-
Real estate	3,832,212	-	2,255,453	43,402
Hotels and restaurants	91,214	-	33,564	-
Management of companies and enterprises	3,141,246	-	2,630,980	-
Financial institutions and investment companies	1,534,385	8,193,792	1,425,390	5,958,245
Others	2,338,648	90,488	1,788,708	97,660
Total Assets	54,509,825	12,009,312	48,343,569	9,472,962
Less: Deferred Income	(1,428,178)	-	(1,310,471)	-
Less: Expected credit loss	(4,712,669)	(38,978)	(4,419,074)	(19,666)
	48,368,978	**11,970,334**	**42,614,024**	**9,453,296**

Others includes due from banks and investment securities.

36 RISK MANAGEMENT (CONTINUED)

E. Classification of investment securities as per their external ratings

As of 31 December 2022

Ratings	Designated at FVTPL	FVOCI	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
AAA	-	-	183,100	183,100
AA- to AA+	-	607,143	-	607,143
A- to A+	-	3,084,955	815,303	3,900,258
Lower than A-	-	1,988,995	210,583	2,199,578
Unrated	170,898	273,357	51,415	495,670
Less: Expected credit loss	-	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871

Of which issued by:

	Designated at FVTPL	FVOCI – sukuk instruments	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
Governments	-	530,383	1,016,848	1,547,231
Public sector enterprises	-	4,447,042	243,553	4,690,595
Private sector and others	170,898	977,025	-	1,147,923
Less: Expected credit loss	-	(29,387)	(491)	(29,878)
	170,898	5,925,063	1,259,910	7,355,871

36 RISK MANAGEMENT (CONTINUED)

F. Classification of investment securities as per their external ratings (continued)

As of 31 December 2021

Ratings	Designated at FVTPL	FVOCI – sukuk instruments	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
AAA	-	-	55,088	55,088
AA- to AA+	-	604,977	92,403	697,380
A- to A+	-	2,795,187	667,976	3,463,163
Lower than A-	-	1,732,204	242,208	1,974,412
Unrated	152,850	305,641	51,411	509,902
Less: Expected credit loss	-	(11,799)	(3,568)	(15,367)
	152,850	5,426,210	1,105,518	6,684,578

Of which issued by:

	Designated at FVTPL	FVOCI – sukuk instruments	Amortised cost	Total
	AED 000	AED 000	AED 000	AED 000
Governments	-	269,486	934,008	1,203,494
Public sector enterprises	-	4,126,888	82,675	4,209,563
Private sector and others	152,850	1,041,635	92,403	1,286,888
Less: Expected credit loss	-	(11,799)	(3,568)	(15,367)
	152,850	5,426,210	1,105,518	6,684,578

36 RISK MANAGEMENT (CONTINUED)

G. Risk gross maximum exposure:

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of use of master netting and collateral agreements.

	2022 AED 000	2021 AED 000
Deposits with Central Bank	11,508,700	10,202,970
Due from banks	4,614,476	2,768,718
Investment securities	7,355,871	6,684,578
Financing receivables	48,368,978	42,614,024
Positive fair value of Islamic derivatives	184,118	118,376
Customer acceptances	923,843	787,200
Other assets	168,568	147,449
Total (A)	73,124,554	63,323,315
Contingent liabilities	6,110,448	5,165,242
Irrevocable commitments	1,489,294	1,788,982
Total (B)	7,599,742	6,954,224
Total credit risk exposure (A + B)	80,724,296	70,277,539

36 RISK MANAGEMENT (CONTINUED)

H. Credit quality analysis:

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

AED 000 31 December 2022	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	42,289,030	900,348	3,843,720	47,033,098
Transfers from stage 1	(895,846)	855,641	40,205	-
Transfers from stage 2	84,836	(355,307)	270,471	-
Transfers from stage 3	-	97,279	(97,279)	-
New financial assets, net of repayments and others	6,651,697	(238,105)	(71,342)	6,342,250
Amounts written off during the year	-	-	(293,701)	(293,701)
Total gross financing receivables as at 31 December	48,129,717	1,259,856	3,692,074	53,081,647
Expected credit losses	(955,482)	(274,920)	(3,482,267)	(4,712,669)
Carrying amount	47,174,235	984,936	209,807	48,368,978
By business units				
Corporate Banking	17,287,769	465,546	3,014,898	20,768,213
Retail Banking	30,841,948	794,310	677,176	32,313,434
Total gross financing receivables	48,129,717	1,259,856	3,692,074	53,081,647

AED 000 31 December 2021	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Financing receivables				
Balance as at 1 January	40,013,841	1,074,777	4,052,183	45,140,801
Transfers from stage 1	(570,219)	525,145	45,074	-
Transfers from stage 2	225,105	(389,361)	164,256	-
Transfers from stage 3	-	1,342	(1,342)	-
New financial assets, net of repayments and others	2,620,303	(311,555)	96,698	2,405,446
Amounts written off during the year	-	-	(513,149)	(513,149)
Total gross financing receivables as at 31 December	42,289,030	900,348	3,843,720	47,033,098
Expected credit losses	(717,111)	(249,248)	(3,452,715)	(4,419,074)
Carrying amount	41,571,919	651,100	391,005	42,614,024
By business units				
Corporate Banking	14,404,869	595,205	3,393,781	18,393,855
Retail Banking	27,884,161	305,143	449,939	28,639,243
Total gross financing receivables	42,289,030	900,348	3,843,720	47,033,098

The stage 1 and stage 2 are performing financing receivables having grades 1a- 4f while stage 3 is non- performing financing receivable having grades 5a- 5d.

Corporate Banking – Performing does not include any exposure against watchlist customers.

36 RISK MANAGEMENT (CONTINUED)

I. Amounts arising from ECL

Financing receivables	31 December 2022				31 December 2021			
AED 000	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at 1 January	717,111	249,248	3,452,715	4,419,074	746,624	289,288	3,295,913	4,331,825
Transfers from Stage 1	(17,977)	16,763	1,214	-	(27,774)	23,362	4,412	-
Transfers from Stage 2	17,977	(58,814)	40,837	-	60,630	(72,541)	11,911	-
Transfers from Stage 3	-	42,051	(42,051)	-	-	-	-	-
Allowances for impairment made during the year	238,371	25,672	532,097	796,140	(62,369)	9,139	777,807	724,577
Write back / recoveries made during the year	-	-	(208,844)	(208,844)	-	-	(131,498)	(131,498)
Amounts written off during the year	-	-	(293,701)	(293,701)	-	-	(513,149)	(513,149)
Exchange and other adjustments	-	-	-	-	-	-	7,319	7,319
Closing Balance as at 31 December	**955,482**	**274,920**	**3,482,267**	**4,712,669**	**717,111**	**249,248**	**3,452,715**	**4,419,074**

The contractual amount outstanding on financing receivables which were written off during the year, and are still subject to enforcement activity amounted to AED 294 million (2021: AED 513 million).

36 RISK MANAGEMENT (CONTINUED)

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

The Central Bank of the UAE issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE (“the guidance”).

Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2022	2021
	AED 000	AED 000
Impairment reserve: General		
General provisions under Circular 28/2010 of CBUAE	791,545	625,156
Less: Stage 1 and Stage 2 provisions under IFRS 9	(1,288,635)	(966,359)
General provision transferred to the impairment reserve*	-	-
Impairment reserve: Specific		
Specific provisions under Circular 28/2010 of CBUAE	3,253,620	3,250,031
Less: Stage 3 provisions under IFRS 9	(3,482,267)	(3,452,715)
Specific provision transferred to the impairment reserve*	-	-
Total provision transferred to the impairment reserve	-	-

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

36 RISK MANAGEMENT (CONTINUED)

K. Market risk

Market risk is the potential for adverse changes in the market value of portfolio and positions due to fluctuations in profit rates, exchange rates, equity prices, commodity prices, as well as in their correlation and implied volatility. Consistent with the Group's approach to strict compliance with Shariah rules and principles, the Group does not involve in speculative foreign exchange transactions.

The Group's market risk is managed through risk limits set by the ALCO and approved by the Board Risk Committee. Risk limits are reviewed by the ALCO on an annual basis and are monitored independently by the Market Risk unit on a regular basis, and exceptions, if any, are reported to senior management.

Value-at-Risk

To better capture the multi-dimensional aspects of market risk, the Group's primary market risk metric is a statistical one, Value-at-Risk (VaR), which is used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes, such as Profit Rate VaR, Foreign Exchange VaR and Total VaR

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to currency risk since the majority of the assets and liabilities of the Group are denominated predominately in either AED or in USD-pegged currencies from other GCC countries.

ii. Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effect on equity due to reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2022			2021		
	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000	% Change in market indices	Effect on net profit AED 000	Effect on OCI AED 000
Equity	10	17,090	-	10	15,285	-
Sukuk	10	-	592,506	10	-	542,621

36 RISK MANAGEMENT (CONTINUED)

L. Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This definition includes legal risks (described as exposure to fines, penalties and punitive damages resulting from supervisory actions, as well as private settlements), regulatory risks, and the risk arising from change initiatives.

Operational Risk Governance Framework
The Group applies a three line of defense model for operational risk management. The business and support units form the first line of defense. They have the primary responsibility and accountability for identifying operational risk in their areas and to promptly mitigate any issues.

The Operational Risk function as the second line of defense, provide consistent and standardized methods and tools to business and support functions for managing operational risk. The Group Operational Risk unit monitors the risk management process and compliance to the operational risk policies and procedures. It conducts independent analysis of the operational risk exposure and the bank's mitigating strategies.

Internal Audit acts as the third line of defense, provides independent assurance to the Board of Directors.

Operational Risk Management Process
The Group has set up the Operational Risk function within Risk Management Team to establish the framework and governance structure set out in the operational risk policy. The risk management process comprises mainly of the below elements:

- Risk Assessment
- Risk Monitoring and Review
- Risk Treatment
- Risk Reporting

This function develops and implements the methods for the identification, assessment and monitoring of Operational Risk throughout the Group and provides regular and comprehensive reporting on operational risks to senior management. The function supports business and other support units to monitor and manage their individual operational risks. Furthermore, the Group Operational Risk function also provides analysis and reports on operational risks to management committees (Board Risk Committee, Group Risk Committee, Local Risk Committee), and to the CBUAE as per regulations, guidelines / circulars and conducts independent oversight and monitoring of risks and mitigating measures.

Insurance Management
The Group obtains comprehensive and tailored insurance cover to protect the Group against unexpected and unforeseeable losses. Islamic insurance cover is obtained from high rated insurance companies in the international reinsurance market. The requirements for insurance are reviewed periodically and the insurance cover is aligned to changes of the Group's risk exposure.

Fraud Management
The Board and Management are determined to build and maintain a credible defense to the threat posed by fraud.

In line with the evolving banking technologies and digital landscape, management has recognized the need for greater focus on anti-fraud capabilities of the Group. As such the bank is continuously investing into advanced systems and controls for the interdiction of frauds perpetrated against the bank. The bank has increased monitoring and enhanced detective controls to manage fraud risks, which arise from new technologies and new methods of banking.

The Group has a specialized Fraud Prevention and Investigation (FP&I) team which focuses on investigation of fraud attempts against the bank, spreading fraud awareness to stakeholders, identification and mitigation of fraud risks. The team has independent reporting to Board Risk Committee.

The Group has policies and procedures in place to ensure compliance with prevailing legislation and limit risk, including the risk of fraud.

36 RISK MANAGEMENT (CONTINUED)

M. Operational risk (continued)

Whistleblowing

The Group is committed to the highest standards of openness, integrity and accountability in the delivery of its services. Whilst the Group has instituted a wide range of rules, regulations, procedures and codes of practice to deliver on its commitments, fraud, malpractice, abuse and/or wrongdoing may unfortunately occur.

As such, the Group as part of 'Whistleblowers Policy', provides the platform to employees for reporting of malpractices. The policy is designed to encourage employees to report suspected internal fraud and other breaches, through specified channels, while safeguarding the employee from retribution.

Cyber Security Management

Emirates Islamic considers Information and related processes, systems, and networks as an important and valuable asset. These assets are required to be protected to ensure their confidentiality, availability and integrity at all times.

The Group has established a comprehensive cyber security framework based on three line of defense model.

The framework ensures Emirates Islamic is resilient to sustain cyber security threats in an evolving and increasingly complex digital environment.

Business Continuity Management

Business Continuity Management (BCM) is defined as a "holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause, and which provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities."

The business continuity process across the Group is based on the international standard ISO22301:2012 (E). The BRC is responsible for providing oversight and strategy for Business Continuity Management. Business and support units are responsible to ensure appropriate Business Continuity Plans are in place and tested for their respective areas. The effectiveness of the Business Continuity Plans is monitored independently by Group Operational Risk.

36 RISK MANAGEMENT (CONTINUED)

N. Liquidity risk

Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

Objectives and Governance structure

The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments (under both normal and stressed conditions) can be met when due, and that access to the wholesale markets is coordinated and cost effective. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. This is augmented with wholesale funding and portfolios of highly liquid assets diversified by currency and maturity which are held to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements.

Policies and Procedures

Specifically, liquidity and funding management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow, retention and decay assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity and financing recievables to deposits ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the concentration and profile of financing maturities;
- maintaining financing plans;
- monitoring customer depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of distress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crisis, while minimising adverse long-term implications for the business.

36 RISK MANAGEMENT (CONTINUED)

O. Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on their carrying values:

31 December 2022	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Undated and Over 5 years	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
ASSETS						
Cash and deposits with the Central bank of the UAE	10,863,796	1,162,490	-	-	-	12,026,286
Due from banks	2,882,601	1,731,875	-	-	-	4,614,476
Investment securities	215,904	679,960	2,126,801	2,107,460	2,225,746	7,355,871
Financing receivables	14,664,753	7,081,518	9,806,564	4,808,872	12,007,271	48,368,978
Positive fair value of Islamic derivatives	1,234	5,108	45,777	67,373	64,626	184,118
Investment properties	-	-	-	-	280,547	280,547
Customer acceptances	923,843	-	-	-	-	923,843
Property and equipment	-	-	-	-	249,206	249,206
Other Assets	265,439	-	-	-	494,954	760,393
TOTAL ASSETS	**29,817,570**	**10,660,951**	**11,979,142**	**6,983,705**	**15,322,350**	**74,763,718**

36 RISK MANAGEMENT (CONTINUED)

O. Maturity analysis of assets and liabilities (continued)

31 December 2022	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Undated and Over 5 years	Total
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
LIABILITIES						
Due to banks	1,133,733	190,697	-	-	555,651	1,880,081
Customer deposits	46,699,132	8,349,264	515,819	429,980	349,460	56,343,655
Sukuk payable	-	-	1,836,250	1,836,250	-	3,672,500
Negative fair value of Islamic derivatives	71	5,332	47,017	70,765	68,315	191,500
Customer acceptances	923,843	-	-	-	-	923,843
Other liabilities	1,144,761	-	-	-	1,347,036	2,491,797
Total equity	-	-	-	-	9,260,342	9,260,342
TOTAL LIABILITIES AND EQUITY	49,901,540	8,545,293	2,399,086	2,336,995	11,580,804	74,763,718
OFF BALANCE SHEET						
Letters of credit and guarantees	3,244,699	1,717,218	693,514	160,289	294,728	6,110,448
31 December 2021						
ASSETS	22,755,632	11,401,816	10,723,514	6,541,320	13,482,123	64,904,405
LIABILITIES AND EQUITY	45,649,688	3,191,447	435,308	4,369,373	11,258,589	64,904,405
OFF BALANCE SHEET ITEMS	3,111,211	1,447,656	391,990	66,298	25,086	5,042,241

36 RISK MANAGEMENT (CONTINUED)

P. Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2022 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice was given immediately. However, the Group expects that many customers will not request repayment on the earliest date, the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	1,880,081	(1,889,898)	(1,138,600)	(195,647)	-	-	(555,651)
Customer deposits	56,343,655	(56,672,291)	(46,794,034)	(8,474,891)	(581,397)	(462,626)	(359,343)
Sukuk payable	3,672,500	(3,914,098)	(17,945)	(54,831)	(1,972,682)	(1,868,640)	-
	61,896,236	(62,476,287)	(47,950,579)	(8,725,369)	(2,554,079)	(2,331,266)	(914,994)
Letters of credit and guarantees	6,110,448	(6,110,448)	(3,244,699)	(1,717,218)	(693,514)	(160,289)	(294,728)
Irrevocable financing commitments	1,489,294	(1,489,294)	(1,383,827)	(94,720)	-	-	(10,747)

36 RISK MANAGEMENT (CONTINUED)

P. Analysis of financial liabilities by remaining contractual maturities (continued)

As at December 2021

	Carrying amount AED 000	Gross nominal outflows AED 000	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year to 3 years AED 000	Over 3 years to 5 years AED 000	Over 5 years AED 000
Financial liabilities							
Due to banks	2,548,432	(2,548,440)	(984,316)	-	-	-	(1,564,124)
Customer deposits	47,269,061	(47,359,688)	(42,987,668)	(3,179,971)	(453,527)	(667,861)	(70,661)
Sukuk payable	3,672,500	(3,986,874)	(17,945)	(54,831)	(145,751)	(3,768,347)	-
	53,489,993	(53,895,002)	(43,989,929)	(3,234,802)	(599,278)	(4,436,208)	(1,634,785)
Letters of credit and guarantees	5,042,241	(5,042,241)	(3,111,211)	(1,447,656)	(391,990)	(66,298)	(25,086)
Irrevocable financing commitments	1,788,982	(1,788,982)	(1,477,327)	(156,697)	(116,030)	(17,151)	(21,777)

36 RISK MANAGEMENT (CONTINUED)

Q. Profit rate risk in the banking book

Profit Rate Risk in the Banking Book ('PRRBB') is defined as the exposure of the non-trading products of the Group to profit rates. Non-trading portfolios include all banking book positions that arise from the profit rate on the Group's retail and commercial banking assets and liabilities, and financial investments designated as available for sale and amortised cost / held to maturity. PRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of profit rate changes.

In order to manage this risk optimally, PRRBB in non-trading portfolios is transferred to Group Treasury under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) Systems. Group ALCO is required to regularly monitor all such profit rate risk positions to ensure they comply with profit rate risk limits.

For measuring overall profit sensitivity in the banking book, the Group conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points, and assessing the corresponding impact on its net income from financing and investment products.

AED 000	As at 31 December 2022		As at 31 December 2021	
	Amount	Variance	Amount	Variance
Rates Up 200 bp	3,177,133	339,142	2,178,486	285,730
Base Case	2,837,991	-	1,892,756	-
Rates Down 200 bp	2,126,779	(711,212)	1,612,628	(280,129)

The profit rate sensitivities set out in the table above are based on a set scenario i.e. the projections above assume that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net income from financing and investment products of some rates changing while others remain unchanged. The projections also make the assumption that all positions run to maturity. This effect does not incorporate actions that would be taken by Group Treasury or in the business units to mitigate the impact of this profit rate risk. In practice, Group Treasury seeks proactively to change the profit rate risk profile to minimize losses and optimize net revenues.

The calculation for down rate shock assumes floor to market rates at zero i.e. (from 1M EIBOR of 22 bps to zero) in 2021 compared to full downgrade impact of 200 bps in 2022.

36 RISK MANAGEMENT (CONTINUED)

R. Profit rate repricing analysis*

31 December 2022	Less than 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year	Non-profit bearing	Total
	Actual	Actual	Actual	Actual	Actual	Actual	AED 000
ASSETS							
Cash and deposits with the Central Bank of the UAE	3,410,431	2,614,026	660,180	502,310	-	4,839,339	12,026,286
Due from banks	1,703,718	917,858	818,352	913,523	-	261,025	4,614,476
Investment securities	-	215,904	516,382	163,578	6,289,109	170,898	7,355,871
Financing receivables	14,785,188	18,017,221	4,145,448	4,195,341	7,225,780	-	48,368,978
Positive fair value of Islamic derivatives	-	-	-	-	-	184,118	184,118
Investment properties	-	-	-	-	-	280,547	280,547
Customer acceptances	-	-	-	-	-	923,843	923,843
Property and equipment	-	-	-	-	-	249,206	249,206
Other assets	-	-	-	-	-	760,393	760,393
TOTAL ASSETS	19,899,337	21,765,009	6,140,362	5,774,752	13,514,889	7,669,369	74,763,718

*Represents when the profit rate will be repriced for each class of assets and liabilities.

36 RISK MANAGEMENT (CONTINUED)

R. Profit rate repricing analysis (continued)

31 December 2022	Less than 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year	Non-profit bearing	Total
	Actual	Actual	Actual	Actual	Actual	Actual	AED 000
LIABILITIES AND EQUITY							
Due to banks	547,751	550,875	-	190,697	-	590,758	1,880,081
Customer deposits	19,339,470	1,863,743	4,715,611	3,633,653	1,295,258	25,495,920	56,343,655
Sukuk payable	-	-	-	-	3,672,500	-	3,672,500
Negative fair value of Islamic derivatives	-	-	-	-	-	191,500	191,500
Customer acceptances	-	-	-	-	-	923,843	923,843
Other liabilities	-	-	-	-	-	2,491,797	2,491,797
Total equity	-	-	-	-	-	9,260,342	9,260,342
TOTAL LIABILITIES AND EQUITY	19,887,221	2,414,618	4,715,611	3,824,350	4,967,758	38,954,160	74,763,718
ON BALANCE SHEET GAP	12,116	19,350,391	1,424,751	1,950,402	8,547,131	(31,284,791)	-
PROFIT RATE SENSITIVITY GAP – 2022	12,116	19,350,391	1,424,751	1,950,402	8,547,131	(31,284,791)	-
CUMULATIVE PROFIT RATE SENSITIVITY GAP – 2022	12,116	19,362,507	20,787,258	22,737,660	31,284,791	-	-

*Represents when the profit rate will be repriced for each class of assets and liabilities.

36 RISK MANAGEMENT (CONTINUED)

S. Reputational risk

Reputational risk is the risk of potential loss of earnings and future revenue, loss in market value or lack of liquidity supply due to deterioration of reputation. It also includes the threat to the brand value of a financial institution. It also arises due to non-compliance with Internal Shariah Supervision Committee's resolution and Fatwas while taking administrative decisions, products or executing financial products contracts.

Reputational risk can arise as a consequence of failures with a strong negative perception amongst clients, shareholders, creditors or the public. The Group has measures to ensure a positive perception of the Group and that overall risk management ensures appropriate management of reputational risk.

T. ICAAP and Stress-Testing

Stress testing is an integral part of the Group's risk management process. It includes scenario analysis and is conducted regularly. In particular, the ICAAP (a group-wide exercise spanning risk types) is performed annually. On top of this, additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio and branch/subsidiary level. Every stress test is documented and the results are discussed at the EXCO level and approved by the GRC and the BRC.

Stress testing alerts senior management to the Group's potential vulnerability to exceptional but plausible adverse events. As such, stress testing enable us to assess capital adequacy and identify potential risky portfolio segments as well as inherent systematic risks. This then allows us to develop the right contingency plans, exit strategies and mitigating actions beforehand.

U. Regulatory/compliance risk

Regulatory/Compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions.

The Group has an independent Compliance function, with the necessary mandate and authority to enforce and monitor compliance on a Group wide basis. This includes compliance with the applicable laws and regulations across the various jurisdictions where the Group operates as well as those of the USD / EU clearing centres.

Compliance policies covering key areas such as Sanctions, Anti Money Laundering (AML), Counter Terrorist Financing (CTF), Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) are applicable Group wide and are supplemented where necessary to address any unique local requirements. These policies are supported by automated screening and monitoring systems and associated investigation teams to help comply with the Sanctions, AML, CTF, FATCA and CRS requirements. Independent Compliance Monitoring is undertaken to provide assurance over the effectiveness of controls. Mandatory Compliance Training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

i) Shariah non-compliance risk

Non-compliance with Internal Shariah Supervision Committee's Resolutions and Fatwas while taking administrative decision, products or executing financial products' contracts, may cause a reputational risk for the Group.

The Group has permanent Internal Shariah Control Department to evaluate all existing and proposed solutions prior to presenting it to Internal Shariah Supervision Committee for approval and to conduct a periodic audit to ensure compliance with Shariah principles and rules.

36 RISK MANAGEMENT (CONTINUED)

V. IBOR transition

The key risks for the Group arising from the transition are:

Conduct risk: The transition to alternative benchmark rates could result in the risk of market or customer misconduct, which may lead to customer complaints, regulatory sanctions or reputational impact. This includes the risk of misleading clients, market abuse (including insider dealing and market manipulation), anti-competitive practices, both during and after transition (such as collusion and information sharing) and risks arising from conflicts of interest. The Group has in place strong project governance to oversee the transition to ensure this risk is mitigated.

Pricing risk: The transition to alternative benchmark rates and the discontinuation of profit rate benchmarks may impact the pricing mechanisms used by the Group. New RFR based pricing models have been developed for financial instruments.

Profit rate basis risk: If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of IBORs, there are significant uncertainties with regard to the profit rate that would apply. This gives rise to additional profit rate risk that was not anticipated when the contracts were entered into and is not captured by our profit rate risk management strategy. The Group is working closely with all counterparties to avoid this from occurring.

Liquidity risk: There are fundamental differences between IBORs and the various alternative benchmark rates which the Group will be adopting. IBORs are forward looking term rates published for a period at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period, with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate profit payments which will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Management is running a project on the Group's transition activities and continues to engage with various stakeholders to support an orderly transition and to mitigate the risks resulting from the transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

W. Internal Audit's role in overall risk management

The Group Internal Audit is an independent appraisal function established by the Board of Directors to examine and evaluate the activities of the Group including all aspects of the Group Risk Management. The department is organisationally independent of all other functions in the bank. The unit is headed by the Chief Audit Officer, who is accountable to the Board of Directors through the Board Audit Committee.

The primary objectives of Group Internal Audit is to provide assurance on risks to which the Group' business are exposed, evaluate the adequacy and effectiveness of financial/operating controls and the Corporate Governance environment, assess the extent to which assets are accounted for and safeguarded from losses and conduct follow-up activities to assess and report on the degree to which management has addressed risks and compliance with action plans previously agreed.

The unit's mission is achieved through a risk based annual audit plan approved by the Board Audit Committee. A formal report is prepared at the end of each quarter which includes a summary of audit activity completed during the period and an update on the status of previously reported matters for Board Audit Committee attention.

The Board Audit Committee reviews and approves Group Internal Audit's plans and resources, and evaluates the effectiveness of the Internal Audit function. External advisers also periodically conduct an assessment of the function.

X. Risk management framework and processes at Group entities

In establishing risk management policies & processes at the Group entities level, due consideration is given to the entities' specific regulatory environment.

37 LEGAL PROCEEDINGS

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group is party to legal proceedings and regulatory matters arising out of its normal business operations. The Group has proper controls and policies for managing legal claims. The recognition of provisions is determined in accordance with the accounting policies set out in Note 7. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 31 December 2022. Any provision recognised does not constitute an admission of wrongdoing or legal liability. Based on the information available, no material adverse impact on the financial position of the Group is expected to arise from legal claims as at 31 December 2022 other than to the extent already provided.

38 SOCIAL CONTRIBUTIONS

The social contributions (including donations and charity) made during the year amount to AED 108.1 million (2021: AED 51.2 million).

39 COMPARATIVE AMOUNTS

Certain prior year comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year.

The Annual Shariah Report

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

Issued on: (*19-01-2023*)

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

After greetings,

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

1. Responsibility of the ISSC

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

a. undertake Shariah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shariah resolutions in this regard, and

b. determine Shariah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shariah within the framework of the rules, principles, and standards set by the Higher Shariah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shariah.

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

Emirates Islamic Bank PJSC
Commercial Registration 45433
Head Office P.O. Box 6564
Dubai, United Arab Emirates

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مصرف الامارات الاسلامي ش م ع
سجل تجاري ٤٥٤٣٣
الفرع الرئيسي ص.ب: ٦٥٦٤
دبي، الإمارات العربية المتحدة

2. Shariah Standards

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

3. Duties Fulfilled by the ISSC During the Financial Year

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

a. Convening (6) meetings during the year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
e. Supervision through the internal Shariah control division, and internal Shariah audit, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
f. Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shariah control division, and internal Shariah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
h. Specifying the amount of Zakat due on each share of the Institution.
i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shariah.

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

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الفرع الرئيسي ص.ب: ٦٥٦٤
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4. Independence of the ISSC

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

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

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

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

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

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

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دبي، الإمارات العربية المتحدة

الإمارات الإسلامي
EMIRATES ISLAMIC

Corporate Governance Report for the year 2022

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

Vision

To be the leading provider of high standard Shari'a compliant innovative financial products, quality service and superior value for our customers, shareholders, employees and the community

Purpose

To create opportunities to prosper

His Highness Sheikh Mohamed Bin Zayed Al Nahyan
President of the United Arab Emirates

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

Board of Directors

Mr. Hesham Abdulla Al Qassim
Chairman

Mr. Buti Obaid Buti Al Mulla
Vice Chairman

H.E. Huda Sayed Naim AlHashimi
Director

H.E. Mohamed Hadi Ahmed Al Hussaini
Director

Mr. Salem Mohamed Obaidalla
Director

Mr. Ali Humaid Ali Al Owais
Director

Mr. Shayne Nelson
Director

Chairman's Statement

Mr. Hesham Abdulla Al Qassim
Chairman

On behalf of the Board of Directors, I am pleased to present the 2022 Corporate Governance Report for Emirates Islamic Bank P.J.S.C. ("Emirates Islamic" or "the Bank") to our shareholders and stakeholders.

Emirates Islamic has always embraced a strong corporate governance culture, which we believe supports long-term sustainable shareholder value, within a framework of prudent and effective controls. In 2022, we continued to enhance our corporate governance approach, in line with the best international practices and local regulations. Specifically, our corporate governance approach enables the Emirates Islamic Board of Directors ("the Board") and Senior Management to discharge their fiduciary duties effectively and ensures that risks are managed prudently in accordance with a robust risk management framework, whilst delivering our business strategy in an entrepreneurial and innovative way.

During 2022, the UAE adopted several important new regulations in the financial sector, which we welcomed. In this report, we have highlighted, amongst other things, the way in which Emirates Islamic adopted these new regulations, including those of the Central Bank of the UAE ("CBUAE"). As part of our commitment to strong corporate governance, Emirates Islamic continually keeps new governance trends and regulations under close review.

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

During 2022, we were pleased to welcome one new female Director to the Board following her approval by shareholders during the February 2022 General Assembly Meeting ("2022 GAM"). Board succession and diversity is a key pillar of the CBUAE Corporate Governance Regulations, which we fully support and embrace.

We would like to take this opportunity to express our sincere thanks to two of our Board members who retired during 2022 and their dedication and commitment to Emirates Islamic during their time on the Board.

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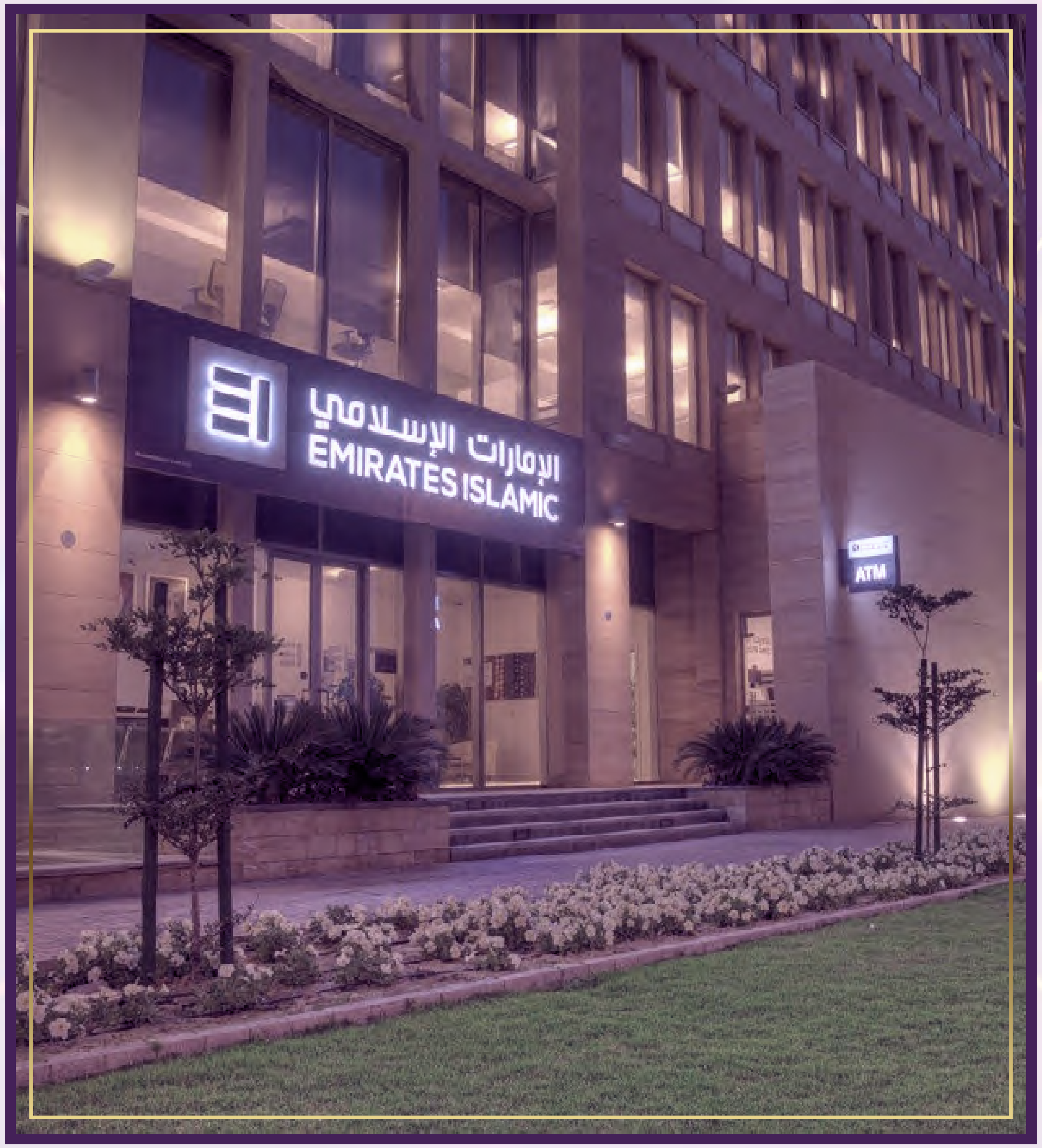
Statement of Procedures of Corporate Governance

Emirates Islamic being part of Emirates NBD Group "the Group" was established in 2004 to deliver banking services in line with Shari'ah principles. It offers products designed for individuals and small businesses as well as large corporations.



Group Corporate Governance Model

Emirates Islamic has implemented a comprehensive corporate governance framework based on the principles of accountability, delegation and oversight to support sound and prudent decision making. The corporate governance framework enables Emirates Islamic's Board and Senior Management to discharge their statutory and other duties, maintain strong governance, and ensure risks are managed prudently and in accordance with a robust risk management framework, while pursuing its business objectives in an entrepreneurial and innovative environment.

As required by UAE domiciled and listed Banks, Emirates Islamic complies with the relevant laws and regulations issued by the CBUAE, the Securities and Commodities Authority ("SCA"), the Dubai Financial Market ("DFM") and other relevant authorities.

Emirates Islamic's commitment to good corporate governance provides a basis for its future development and corporate performance, including enhancing trust in its activities as a recipient of depositors' funds and shareholders' capital and enabling it to contribute to the successful development of the financial system of the UAE. The Emirates Islamic Board proactively adopts governance policies and practices designed to align the interests of the Board and Senior Management with those of shareholders and other stakeholders and to promote the highest standards of ethical behaviour and risk management at every level of the Bank.

Engagement with stakeholders throughout the Group and its environment is proactive, including an active Investor Relations function, community and business interactions through various platforms, and a responsible approach to complaints and whistleblowing.

Throughout this report, reference to "Corporate Governance Regulations" includes the CBUAE Corporate Governance Regulation for Banks (Circular No.83/2019 dated July 18, 2019) and the SCA Chairman's Resolution No. 03/TM of 2020 Regarding the Approval of the Public Joint-Stock Companies Governance Guide, in addition to other relevant laws, rules and regulations applicable to banking and listed companies on the DFM. The CBUAE Corporate Governance Regulation for Banks shall be referred to as the "CBUAE Code."

Activities and programmes of Emirates Islamic are aligned with the broader goals of the UAE strategic vision and its national priorities.

Key Corporate Governance Highlights of 2022

The Board and Senior Management of Emirates Islamic progressed a range of ongoing governance initiatives during the year, to include refreshing key policies, conducting a successful 2022 GAM on 23 February 2022, which included appointing a new female director and amending the Memorandum and Articles of Association.

Board Representation and Renewal

During 2022, the Directors' tenure of three years expired, and the necessary nomination and election process was undertaken in preparation for voting by shareholders at the 2022 GAM. The Board was pleased to appoint a female director at the 2022 GAM.

Human Capital, Compensation and Incentivisation

The Board and Senior Management undertook an extensive review of Emirates Islamic's framework for human capital, compensation and incentives during 2022, in line with best practice and to ensure compliance with the new UAE Labour Law 2021. This wide-ranging review included alignment to the new Labour Law, Senior Management 'fit and proper' policies, a succession plan framework for all members of the senior management team and critical leadership roles, incentivisation and rewards structures linked to key principles and performance measurements, and a revised discipline and grievance framework. Diversity and inclusion were also key elements for staff and clients. More details are provided in the Board Nomination, Remuneration, Environmental, Social and Governance Committee ("BNRESGC") summary.

Emirates Islamic continued to attract key talent and build capacity and capabilities to accelerate progress on key initiatives and new topics in the banking environment, including reinforcing our commitment to the national workforce by achieving an Emiratisation level of 38% during 2022. The Emiratisation level for 2021 was 36.4% and for 2020 was 30.3%.

Emirates Islamic HR coordinates the annual compensation review and presents to the BNRESGC compensation changes and policies endorsed by the Emirates Islamic EXCO (as hereinafter defined) or the Chief Executive Officer (CEO) for approval.

Technology and Digitisation

Digital transformation continued during 2022, accelerating migration to digital services whilst reinforcing data security within the Information Technology (IT) infrastructure. Key focus remained on the greater use of digital technologies to protect consumer and corporate data. This included delivering initiatives such as:

- Enhancing protection and governance of sensitive employee digital credentials;
- Increasing visibility over sensitive data access;
- Continuing compliance to cybersecurity regulatory requirements to protect consumer data;
- Sustaining the effectiveness of the cybersecurity culture programme and introducing new e-learning modules for data privacy and the Payment Card Industry Data Security Standard ("PCI DSS") for all employees; and
- Strengthening supply chain security and collaborating with third parties to enhance partnerships and business ecosystems.

The IT Department also continuously improved Emirates Islamic's portfolio governance by adopting a new portfolio and project management application to help maximise productivity and efficiently manage IT initiatives in line with the Group's operating model.

Cybersecurity Governance

To manage cybersecurity effectively, Emirates Islamic has aligned its strategic objectives with the United States National Institute of Standards and Technology ('NIST') Framework. This comprehensively addresses the requirements of people, processes, and technology, aligned to relevant business and security objectives.

To help defend itself against security threats, Emirates Islamic has a 'layered' information security structure, managed by security professionals, within the Group Information Security Office, Group Cyber Risk and Group Internal Audit. All key security decisions affecting customer data privacy and security are taken jointly by representatives of these units. Emirates Islamic also applies a 'three lines of defence' model.

Emirates Islamic has a 'Threat Conditioning Framework' to help manage its 'Enterprise Cyber Threats' and to communicate any cyber threats to the senior leadership team. It also has various security mechanisms and controls to help protect customer data, applications and cloud infrastructure environments, and mitigate vulnerabilities and risks.

Emirates Islamic continuously enhances employee training and conducts Cybersecurity awareness sessions both for staff and customers.

Data Privacy and Security

The Bank has established a dedicated Data Privacy Office in order to create and implement a robust data privacy framework in line with the various data privacy regulations applicable to the Bank. The Group is compliant with the General Data Protection Regulations ("GDPR") and the Data Protection Act 2018 in the United Kingdom and is looking to implement this level of data privacy framework across the Group whilst meeting relevant local data privacy regulations.

The Group has detailed policies and procedures governing data privacy and data usage. A Group-wide data privacy programme has been completed to establish the current status of data privacy across the Group.

Environmental, Social and Governance ("ESG")

Emirates Islamic produces a comprehensive Sustainability Report which describes in detail the strategies, targets, risks and achievements of the Bank in the areas of ESG.

ESG is being embedded into the culture, operations and strategy of Emirates Islamic, and supports all strategic decision-making. Strategic ESG matters are the responsibility of the Emirates Islamic Board, including how ESG is embedded into strategic initiatives, projects and general operations.

The Bank's ESG framework is in line with the Group ESG, which is aligned with key global and country commitments, including the Sustainable Development Goals of the United Nations and the UAE Vision 2030.

As more strategic initiatives are adopted nationally, including net zero and energy, and international standards continue to evolve and develop, particularly in the areas of sustainability accounting, audit and ethics standards, Emirates Islamic continues to develop its approach to ESG in line with these evolving standards, both nationally and internationally.

Authority of the Board and Committees

The Emirates Islamic Governance Framework identifies the responsibilities and accountabilities of the Board and individual Board Directors and Board Committees. It also provides an overview of the overall governance approach within Emirates Islamic.

To embed the principles of good corporate governance, the Emirates Islamic Governance Framework is supported by a Corporate Governance Manual ("Emirates Islamic Governance Manual") that sets out the overall context for the duties and responsibilities of the Board and the governance of the Bank, including:

- The legal and regulatory obligations of various stakeholders, including the Board, to ensure full implementation and compliance with the Corporate Governance Regulations;
- A framework regarding Board composition, training and induction, meetings and practices;
- The roles and responsibilities of various stakeholders in the governance framework, including Board members, the Chairman, Board Committees, the Board Secretary and various key functions; and
- Emirates Islamic's commitment to disclosure and transparency.

The Emirates Islamic Governance Manual is supplemented by a Board Charter ("Emirates Islamic Board Charter") which details the protocols and policies of the Board, and specific Board policies related to conflicts of interest, fitness and propriety, remuneration and performance evaluation.

The Board delegates authority and oversight of key areas of responsibility to five permanent Board Committees:

1. Board Audit Committee ("BAC")
2. Board Risk Committee ("BRC")
3. Board Nomination, Remuneration and ESG Committee ("BNRESGC")
4. Board Credit and Investment Committee ("BCIC")
5. Board Profit Equalisation Committee ("BPEC")

The Board may establish additional committees as necessary or appropriate. The separation of the Audit and Risk Committees complies with the recommendation of the CBUAE Code.

Each of these Committees reports to the Board with their recommendations with respect to matters presented to, and discussed by, the relevant Committee in accordance with that Committee's Terms of Reference. The Committees also report on the exercise of any decision-making powers delegated to them. Further details on each Committee's specific mandate are noted later in this Report.

The Board delegates appropriate authority to the Chief Executive Officer for managing day to day activities.

Risk Management and Internal Controls

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

The risk governance framework enables Emirates Islamic to identify, measure, monitor and report key risks. Key risk types are categorised under 'financial risks' and 'other risks'. Whilst financial risks are driven by events in the financial markets, other risks are driven by other market related events.

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

- Business units (Relationship and Product) are the first line of defence. They originate risk and are responsible and accountable for ongoing management of such risks. This includes direct assessment, control and mitigation of risks.
- The second line of defence includes risk management, finance and the compliance function. These functions complement the risk activities of the business lines through their monitoring and reporting responsibilities. They are responsible for overseeing Emirates Islamic's risk-taking activities and assessing risks and issues independently from the business lines. These functions ensure that Senior Management and business line managers identify and document risk owners as part of the New Product and Process Approval and Assessment ("NPPA") process. A risk owner may or may not sit with the Bank's risk function.
- The third line of defence consists of an independent and effective internal audit function. They provide independent review and objective assurance on the quality, adequacy and effectiveness of the Bank's internal control system and the first and second lines of defence to add value and improves the Bank's operations

The risk governance structure increases transparency and the sharing of insights, guidance and support decision making. The Risk Appetite Statement is a key component, establishing the boundaries to ensure Emirates Islamic operates within acceptable levels of risk compliance with its obligations and commitments. The updated Risk Management Strategy and Risk Appetite Statement were approved by the Board in January 2022.

The Board is also supported by a prudent internal control framework which provides assurance on the financial and non-financial operations of Emirates Islamic, which includes internal and external audits. The internal control system is designed to follow a multi-tiered approach and is implemented at various governance levels throughout the Bank. The internal control system relies on accountability, delegation and collaboration within the various departments and business functions, encouraging the Bank-wide alignment of objectives, resources and the mechanisms deployed. It is based on the clear identification of best practice governance standards and responsibilities; appropriate policies and procedures are implemented to serve each department and business unit across the Bank.

The significant functions which form the internal control system include the Internal Audit and External Audit, Risk, Compliance, Finance, Legal and Corporate Governance control functions, reporting either directly to the Board or to a designated Committee.

The risk and internal audit functions report to the Board Committees, the Board Risk Committee and the Board Audit Committee. The BRC and the BAC report any significant matters, as and when required, to the Emirates Islamic Board of Directors.

Key functions which are critical for oversight of these responsibilities are:

- The BRC sets the overall risk strategy and approves all risk related frameworks. The BRC has oversight of the establishment and operation of risk management systems and receives regular updates on their effectiveness. It reviews risk exposures, risk profiles and risk concentration reports on a regular basis through quarterly risk monitoring supported by the Risk Management Department.
- The BAC plays a key role in assessing and assuring the quality and integrity of Emirates Islamic's disclosures, financial statements, financial reporting and ensuring compliance to regulatory requirements assessed based on various audits / assignments conducted by Internal Audit. It reviews effectiveness of the Bank's internal controls and corporate governance environment and provides an oversight over the internal and external audit functions.
- The BNRESGC oversees incentives and other emoluments, which includes consideration of the risk structures for appropriate corporate performance, risk taking and responsibility, and corporate culture. A separate independent committee, the Internal Shari'ah Supervision Committee, with members appointed by Shareholders, considers Shari'ah risks and controls.

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

Board
and Committees

The Board, together with the BNRESGC, determines the size and composition of the Board subject to provisions of the CBUAE Code.

During 2022, the Board size was seven (7) Directors, with one new female Director appointed at the 2022 GAM. All Directors who held office during 2022 were Non-Executive Directors. Collectively, the Directors contributed a broad range of skills, diversity, expertise and experience from a range of backgrounds. The Chairman remained an Independent Non-Executive Director for the reporting period, as required by the CBUAE Code.

The election process held during the 2022 GAM followed due process for renewal of the Board after the end of the Directors' terms of three years. In accordance with the Emirates Islamic Board Charter, the BNRESGC considered the candidates' profile and experience, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members would be able to offer, provided that at least 20% of candidates for nomination to the Board must be female. Independence was determined according to relationships with the Bank and length of tenure, and in line with relevant regulatory requirements.

Under the Bank's Corporate Governance Framework, the BNRESGC recommends the nomination of a selected candidate as a Director to the Board following internal review and receipt of the no-objection of the CBUAE. Directors are appointed for a term of three years, which may be renewed for an unlimited number of terms. In the case of a vacancy on the Board arising between GAMs, the Board is empowered to elect a Director, who must then stand for re-nomination at the next General Assembly Meeting.

Diversity Statement

The Board currently has female representation in line with the Emirates Islamic Board Charter. Emirates Islamic is committed to gender diversity, both within the composition of the Board and within its employee workforce. The BNRESGC supports the nomination of female candidates and will continue to review opportunities to include gender diversity as part of the Board succession process.

Board of Directors Profiles

Mr. Hesham Abdulla Al Qassim
Independent Chairman Non-Executive Director
(appointed 25 June 2011)

Mr. Hesham Abdulla Al Qassim is the Vice Chairman and Managing Director of Emirates NBD, the Chairman of Emirates Islamic Bank P.J.S.C., one of the leading Islamic banks in the region, and the Chairman of Emirates NBD Egypt and DenizBank A.Ş Turkey, both subsidiaries of Emirates NBD. Mr. Al Qassim is also the Vice Chairman and Chief Executive Officer of Wasl Asset Management Group, and is responsible for leading its transformation into a world-class asset management company. He has more than twenty years' experience in the banking industry.

Mr. Al Qassim is also the Chairman of Dubai Sports Corporation and Dubai Autism Centre. His other board memberships include Dubai International Financial Centre (DIFC) Authority, Emirates Telecommunications Corporation (Etisalat), DIFC Investments LLC., Itissalat Al-Maghrib (IAM) Maroc Telecom, as well as the International Humanitarian City. Mr. Al Qassim is also a member of the International Cooperation Council France UAE.

His professional and vocational qualifications include a Bachelor's degree in Banking and Finance and a Master's degree in International Business Management and in Executive Leadership Development.

Mr. Buti Obaid Buti Al Mulla
Independent Non-Executive Director
(appointed 18 July 2011)

Mr Buti Obaid Buti Al Mulla is Chairman of Mohamed & Obaid AlMulla Group, a Dubai-based family-owned business launched in 1942, and a market leader in key strategic economic sectors: Hospitality, Healthcare & Pharmaceuticals, Real Estate, Travel & Tourism and Investment. He has extensive professional business experience that spans over 31 years (since January 1990) across the banking, finance, real estate, hospitality, and investment sectors.

Born in 1967, Mr. Al Mulla holds a diploma in business administration from Newberry College, Boston. He holds several esteemed positions, including Chairman – Dubai Insurance Company PSC, Vice Chairman of Emirates Islamic Bank PJSC, Director of Emirates NBD Bank (PJSC), Director of Emaar Properties PJSC and Director of Dubai Refreshment PJSC.

H.E. Mohamed Hadi Ahmed Al Hussaini
Independent Non-Executive Director
(appointed 25 June 2011)

H.E. Mohamed Hadi Al Hussaini is the Minister of State for Financial Affairs. Currently he serves on the Board of Emirates NBD Bank P.J.S.C. and Emirates Islamic Bank P.J.S.C. H.E. is also a board member of Emirates Investment Authority, Investment Corporation of Dubai and Director of Dubai Real Estate Corporation/Wasl Asset Management Group and is the Chairman of the Development Committee (DC) of the World Bank Group (WBG) and International Monetary Fund.).

H.E. Al Hussaini has wide professional experience across the banking, finance, real estate and investment sectors. He comes from a prominent family of businessmen primarily engaged in the trading sector.

H.E. Al Hussaini holds a Master's degree in International Business from Webster University in Geneva, Switzerland.

Mr. Ali Humaid Ali Al Owais
Independent Non-Executive Director
(appointed 27 March 2013)

Mr. Ali Humaid Ali Al Owais is a Director of Emirates Islamic and of Emirates NBD. He is also the Chairman of Al Owais Group, United Food Company P.J.S.C. and Moderna Group LLC. He is the Vice Chairman of Dubai Refreshment Co. P.J.S.C., Modern Bakery and Oman Refreshment Company. As Chairman and a board member of various companies, Mr. Al Owais is instrumental in bringing about vast changes through his entrepreneur skills and business contacts. Mr. Al Owais holds a Bachelor's Degree in Business Applied Science.

Mr. Salem Mohamed Obaidalla
Independent Non-Executive Director
(appointed 20 February 2019)

Mr. Salem Mohamed Obaidalla is the Senior Vice President – Commercial Operations Americas for Emirates Airline. He has extensive professional experience and contributed to the success of launching new stations in addition to handling the launch of various destinations, such as Amsterdam, Prague, Madrid, Geneva, Copenhagen, St Petersburg, Dublin, Barcelona and Lisbon.

Mr. Obaidalla holds a Business Administration Degree from Wentworth Institute of Technology in Boston, United States.

H.E. Huda Sayed Naim AlHashimi
Independent Non-Executive Director
(appointed 23 February 2022)

H.E. Huda Sayed Naim AlHashimi is the Deputy Minister of Cabinet Affairs for Strategic Affairs. As part of the responsibilities of her current position, H.E. AlHashimi leads the process of articulating the UAE Leadership's Vision, setting an ambitious long-term strategy. H.E. AlHashimi led the setup and leads the operation of the Mohammed Bin Rashid Centre for Government Innovation. She also leads the Government Accelerators and is responsible for governance and institutional restructuring at the Prime Minister's Office.

H.E. AlHashimi has been chosen as a board member of the "Digital School" as well as a member of the UAE Gender Balance Council and Dubai Women Establishment. She is also a member of the Supreme Committee of the Mohammed Bin Rashid Smart Education Program and the Metaverse steering committee.

H.E. AlHashimi holds a BSC in Business Administration from the Higher Colleges of Technology, where she graduated with honours and received the Sheikh Rashid Award for Scientific Excellence. She is also an alumni of London Business School and was enrolled in the Mohammed bin Rashid Center for Leadership Development programme, and received certificate from IMD on mastering board governance.

Mr. Shayne Nelson
Non Independent Non-Executive Director
(appointed 27 March 2013)

Mr. Shayne Nelson is the Group Chief Executive Officer of Emirates NBD Bank. Prior to joining Emirates NBD, he was the CEO of Standard Chartered Private Bank in Singapore, Chairman of Standard Chartered Saadiq Advisory Board, and a board member of Standard Chartered Bank (China) Ltd.

Mr. Nelson is a Member of the Boards of Emirates NBD Capital Ltd., Emirates NBD Capital PSC, Tanfeeth, DenizBank A.Ş. (Turkey), International Monetary Conference and Marsh Emirates Insurance Brokers, and a member of the advisory board to the University of Wollongong in Dubai and a member of the International Cooperation Council France UAE (CCI France UAE).

Mr. Nelson's other previous high-profile positions in the banking arena include Regional CEO of Standard Chartered Bank Middle East and North Africa, Chairman of Standard Chartered (Pakistan) Limited, and Chairman of the Banking Advisory Council to the board of the Dubai International Financial Centre (DIFC). He also held the position of Chief Executive Officer and Managing Director of Standard Chartered Bank, Malaysia Berhad based in Kuala Lumpur.

Mr. Nelson's solid experience, across various functions and geographies, is a testament to his diverse background within banking. Earlier in his career, his positions included Standard Chartered Chief Risk Officer for Wholesale Banking based in Singapore, Regional Head of Corporate and Institutional Banking Audit for the Asia Pacific Region and India, as well as Regional Head of Credit in Hong Kong, China and North East Asia, with the latter two positions based in Hong Kong. He was also the Head of Corporate and Institutional Banking for Westpac Banking Corporation for Western Australia based in Perth. A Graduate Member of the Australian Institute of Company Directors, Mr. Nelson is also an Associate Fellow of the Australian Institute of Managers.

Mr. Shoaib Mir Hashem Khoory
Independent Non-Executive Director
(retired 23 February 2022)

Mr. Shoaib Mir Hashem Khoory was formerly a Director of Emirates Islamic Bank P.J.S.C. He is Chairman of Kent College L.L.C. FZ, Meydan MHK Education L.L.C. FZ and Middle East Natural Gas L.L.C. His other Directorships include MAHY Khoory, Dubai Real Estate Corporation/ Wasl Asset Management Group, Jebel Ali Cement, Mir Hashem Khoory L.L.C. and Dry Port Duhok (DPD) Kurdistan, Iraq. Mr. Khoory holds a Bachelor of Arts in Accounting and Business Administration.

Mr. Mohammed Al Shehi
Independent Non-Executive Director
(retired 23 February 2022)

Mr. Mohammed Al Shehi was also a Director of Emirates Islamic Bank P.J.S.C., Emirates NBD Capital Limited, Emirates NBD Asset Management Limited and Chairman at Emirates NBD Capital P.S.C. Mr. Al Shehi is Deputy Director General - Department of Finance - Government of Dubai, and a Director at Emirates Integrated Telecommunications P.J.S.C., Dubai Real Estate Corporation, Independent Health Information Technology and Chairman of NAS Neuron Health Services L.L.C. He is Secretary of the Supreme Fiscal Committee. Mr. Al Shehi holds an Executive Master of Business Administration in Managing E-Business.

Board Meetings Held during 2022

DATE						BOARD OF DIRECTORS
14 December 2022	16 November 2022	26 October 2022	27 July 2022	20 April 2022	25 January 2022	NAMES
✓	✓	✓	✓	✓	✓	Mr. Hesham Abdulla Al Qassim
✓	✓	✓	✓	✓	✓	Mr. Buti Obaid Al Mulla
✓	✓	✓	✓	✓	✓	H.E. Mohamed Hadi Ahmed Al Hussaini
✓	✓	✓	✓	✓	N/A	H.E. Huda Sayed Naim Al Hashimi *
✓	✓	✓	✓	✓	N/A	Mr. Salem Mohammed Obadialla *
✓	✓	✓	✓	✓	✓	Mr. Ali Humaid Ali Al Owais
✓	✓	✓	✓	✓	✓	Mr. Shayne Keith Nelson
N/A	N/A	N/A	N/A	N/A	✓	Mr. Shoaib Mir Hashem Khoory **
N/A	N/A	N/A	N/A	N/A	✓	Mr. Mohammed Al Shehi **

* Board Directors appointed at the 2022 GAM
** Board Directors who retired at the 2022 GAM
No Board of Directors' Resolutions were passed by circulation during the year ended 31 December 2022.

Key Board Agenda Items during 20222

	25 January	20 April	27 July	26 October	16 November	14 December
Financial performance, planning and control	✓	✓	✓	✓	✓	✓
Budget and strategy					✓	
Business updates	✓	✓	✓	✓	✓	✓
Audit and internal controls	✓	✓	✓	✓		
Risk and compliance	✓	✓		✓		
HR updates on key staff matters					✓	✓

Board of Directors Remuneration

The Directors' Remuneration policy is consistent with Emirates Islamic's culture, control environment and long-term objectives.

The BNRESGC reviews and makes annual recommendations to the Board on the form and amount of Directors' remuneration, taking into consideration the amount of time they give to Emirates Islamic, as well as the extent and complexity of their responsibilities, including serving on Board Committees. Committee Members were paid an allowance of AED 20,000 for each meeting they attended in 2022.

The amount of Directors' Remuneration is recommended to shareholders by the Board based upon the recommendations of the BNRESGC.

The following table sets out the total Board fees paid to each of the Emirates Islamic Board Directors during the year ended 31 December 2022:

Board Members as at 31 December 2022	Role	Total Board Fees Paid in 2022 (AED)
Mr. Hesham Abdulla Al Qassim	Chairman - Independent Non-Executive Director	2,000,000
H.E. Mohamed Hadi Al Hussaini	Independent Non-Executive Director	1,000,000
H.E. Huda Sayed Naim Al Hashimi *	Independent Non-Executive Director	n/a
Mr. Buti Obaid Buti Al Mulla	Independent Non-Executive Director	1,000,000
Mr. Salem Mohammed Obaidalla*	Independent Non-Executive Director	n/a
Mr. Ali Humaid Ali Abdalla Al Owais	Independent Non-Executive Director	1,000,000
Mr. Shayne Nelson	Non-Independent Non-Executive Director	nil
Board Members who Retired at the 2022 GAM		
Mr. Shoaib Mir Hashem Khoory**	Former Independent Non-Executive Director	1,000,000
Mr. Mohammed Al Shehi**	Former Independent Non-Executive Director	1,000,000

* Board Directors appointed at the 2022 GAM
** Board Directors retired at the 2022 GAM

A collective total of AED 7 million for the Board Directors was approved by shareholders for each of the 2020 and 2021 financial years. It is proposed that the same level of remuneration of AED 7 million for the 2022 financial year be recommended for approval by the shareholders at the 2023 GAM.

Related Party Transactions

In accordance with the CBUAE Code, Related Party Transactions ("RPTs") must be defined and identified, to prevent any potential or actual conflict of interest that might arise. Emirates Islamic has developed an RPT framework and guidelines, which include the principle that RPTs should be entered into on an arm's length basis, free from any conflict of interest, and should continue to be monitored.

Clarifying the Nature of Relationship	Type of Transaction and Balances	2022 (AED 000)	2021 (AED 000)
Parent and related companies	Financing and other receivables	971,157	265,997
Directors and related companies	Financing and other receivables	8,671	8,139
Management personnel and affiliates	Financing and other receivables	164	3,287
		979,992	277,423
Ultimate parent company	Customer deposits and other payables	183,635	10
Parent and related companies	Customer deposits and other payables	1,505,156	1,943,970
Directors and related companies	Customer deposits and other payables	161	107
Key management personnel and affiliates	Customer deposits and other payables	17,847	9,494
Ultimate parent company	Investment in ultimate parent company	191,577	202,953
Parent and related companies	Positive fair value of derivative	103,257	64,747
Parent and related companies	Negative fair value of derivative	(81,130)	(70,862)
Parent and related companies	Notional amount of derivative	9,725,512	10,748,427
Recharges from group companies	Payment made	(351,699)	(288,124)
Ultimate parent company	Income from investment	6,443	5,733
Parent and related companies	Income on financing receivables	12,527	5,846
Ultimate parent company	Distribution on deposits	4,061	1,581
Parent and related companies	Distribution on deposits	8,591	10
Key management	Key management compensation	21,351	19,874

Note: As of 31 December 2022, customer accounts from and financing to government related entities amount to 16% (2021: 9.9%) and 4% (2021: 3.9%), respectively, of the total customer deposits and financing receivables of the Group. These entities are independently run business activities, and all financial dealings with the Group are on normal commercial terms. Related party transactions are carried out on normal commercial terms. Parent/Group Holding Company is Emirates NBD Bank P.J.S.C. and the ultimate parent company is Investment Corporation of Dubai.

None of the members of the Board or their spouses and children own any shares at Emirates Islamic during the year ended 31 December 2022. Each quarter the Bank reports to Central Bank of UAE on the Board's ownership of Emirates Islamic shares.

Board Induction and Continuing Awareness Programmes

The Group Company Secretary and the HR Department, together with the BNRESGC developed an induction programme for new Emirates Islamic Board, delivered on 11 April 2022. The Emirates Islamic Chairman, and the Emirates Islamic CEO attended the Induction meeting, to which each of the other Board Directors were also invited. The following topics were covered:

Topic	By Whom
Welcome	Hesham Abdulla Al Qassim, Emirates Islamic Chairman
Bank Vision and Priorities	Chief Executive Officer
Overview of Bank Financial Performance	Chief Financial Officer
Overview and Bank Management	Chief HR Officer
Overview of Risk Management	Chief Risk Officer
Overview of Internal Audit Priorities	Head of Audit
Overview of Compliance Framework	Head of Compliance
Role of the Board Board and Committee Structure	Group Company Secretary

The induction programme specifically covered information about Directors' rights, duties and responsibilities, the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programmes, its corporate governance manual and framework, its Code of Conduct, and its management structure as well as an overview of the regulatory environment applicable to the Bank, including the Corporate Governance Regulations.

The BNRESGC annually reviews the Board training/awareness programme to ensure that Directors acquire, maintain and enhance knowledge and skills relevant to their responsibilities and makes recommendations to the Board.

2022 Annual Learning Calendar

Quarter	Programme	Methodology
Q2	FINTECH Overview of Fintech Fintech examples: banking, cryptocurrency and blockchain; Machine Learning and Trading; Payments Fintech risks	27 July 2022 Delivered by IT
Q3	Anti-Money Laundering and Counter Terrorist Financing Update Changes in regulations New CBUAE requirements	19 October 2022 Delivered by Compliance
Q4	Cybersecurity Cybersecurity Introduction Costs of cybersecurity breaches and cyber crime Cybersecurity risk strategies	14 December 2022 Delivered by IT

The Board dedicates sufficient time, budget, and other resources for the purpose of induction programmes and awareness sessions and draws on external expertise as needed.

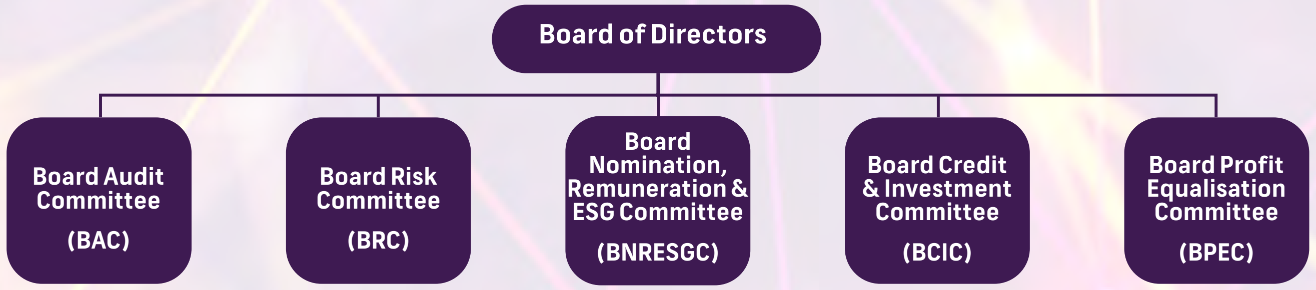
Board Evaluation

The Board is required to annually review and evaluate the performance and effectiveness of the Board and Board Committees, to include support provided by the Group Company Secretary. This should include a review of the performance and contribution to the Board of each Director. An external independent consultant will be appointed once every five years to review and make recommendations on any aspect of the Board's activities, performance and evaluation procedure.

The BNRESGC shall recommend to the Board the performance criteria (both measurable and qualitative) to be considered in these evaluation processes, and the way in which the evaluation should be delivered and interpreted. Emirates Islamic uses a range of evaluation tools, including the Board evaluation guidance issued by the CBUAE and international models.

Board Committees

Board Committee Structure as at 31 December 2022



The Board is ultimately responsible for the conduct of Emirates Islamic's affairs, but for greater efficiency, Board Committees have been established with formally delegated objectives, authorities, responsibilities, and tenure.

Each Board Committee has an Independent Director appointed as the Chair. The Board regularly review the composition of the Board Committees and considers the occasional rotation of Members and of the Chair of such committees to avoid undue concentration of power and promote fresh perspectives.

As highlighted in section " Authority of the Board and Committees" in this report, the Board has established five permanent Board Committees to assist it in carrying out its responsibilities.

There are no strict Committee rotation policies and changes in Committee assignments are made based on Committee needs, Directors' interests, experience and availability, and applicable regulatory and legal considerations.

Each of the permanent Committees has its own Terms of Reference approved by the Board, which sets out the responsibilities of the Committee, the qualifications and procedures of the Committee and how the Committee will report to the Board. Each Committee conducts a self-evaluation annually. The Chairman of each Committee determines the frequency of Committee meetings, consistent with the Committee's terms of reference and the requirements of Emirates Islamic.

Board Committee Membership and Meetings attended during the year ended 31 December 2022

Name	Committee Meeting Members				
	Board Audit Committee	Board Risk Committee	Board Nomination, Remuneration and ESG Committee	Board Credit and Investment Committee	Board Profit Equalisation Committee
Mr. Hesham Abdulla Al Qassim	M (1)	M (4)	M (1)	C (41)	C (1)
H.E. Mohamed Hadi Ahmed Al Hussaini				M (41)	
Mr. Buti Obaid Buti Al Mulla			C (4)		M (1)
Mr. Salem Mohammed Obaidalla*	C (3)	M (4)	M (3)	M (34)	
Mr. Ali Humaid Ali Al Owais	M (3)	C (3)	M (4)	M (7)	
Mr. Shayne Nelson	M (4)		M (1)	M (36)	
Dr. Salim Al Ali					M (1)
Mr. Shoaib Mir Hashem Khoory **	FM (1)			FM (7)	
Mr. Mohammed Al Shehi **	FM (1)			FM (7)	

Note: C=Chair, M=Member & FM=Former Member. The figure in brackets represents number of meetings attended.
* Board Directors appointed during the 2022 GAM
** Board Directors who retired during the 2022 GAM

As highlighted above, Committee Members were paid an allowance of AED 20,000 for each meeting they attended in 2022.

Board Audit Committee ("BAC")

Mr. Salem Mohammed Obaidalla, the Chairman of BAC, acknowledges his responsibility to discharge the responsibilities of the BAC under its terms of reference, and ensure its effectiveness.

The BAC composition changed in February 2022 due to the retirement of two existing members (including the Chair). Mr. Salem Mohammed Obaidalla was appointed as the chair and Mr. Ali Humaid Ali Al Owais appointed as a member in February 2022. The BAC composition is compliant with the CBUAE regulatory requirements.

The Head of the Internal Shari'ah Audit Function was appointed in Q1 2022, with a direct reporting line to the BAC, in line with CBUAE Shari'ah Governance Standard for Islamic Financial Institutions. BAC has since reviewed Internal Shari'ah audit reports on a quarterly basis. In addition, in 2022, BAC reviewed the Bank financial results for the year ended 2021 and quarterly financial results for 2022 and provided oversight over Internal Audit, Governance and Compliance related matters and Government Audit related matters.

BAC Composition as at 31 December 2022

Chairman	Mr. Salem Mohammed Obaidalla	Independent Director
Member	Mr. Ali Humaid Ali Al Owais	Independent Director
Member	Mr. Shayne Nelson	Non-Independent Director

2022 BAC Meetings

Date of BAC Meeting	Key Agenda Items	Number of Attendees	Names of Absent Members
25 January 2022	Review of financial results for the year ended 2021 and external auditors' report. Internal audit, compliance and governance related matters.	4	nil
20 April 2022	Review of financial results for Q1 2022 and external auditors' review report. Review internal audit, compliance and governance related matters.	3	nil
27 July 2 022	Review of financial results for Q2 2022 and external auditors' review report. Review internal audit, compliance and governance related matters.	3	nil
26 October 2022	Review of financial results for Q3 2022 and external auditors' review report. Review internal audit, compliance and governance related matters.	3	nil

Remit

The primary responsibility and function of the BAC, is to assist the Board of Emirates Islamic fulfil its duties by ensuring the oversight responsibility of:

- The integrity of the Emirates Islamic's financial statements and reporting;
- Emirates Islamic's financial and audit controls;
- Overseas financial reporting process;
- The evaluation, independence, performance and remuneration of Emirates Islamic's external auditors;
- The effectiveness, independence and performance of the internal audit function;
- The effectiveness of the overall risk governance framework and internal control system;
- Evaluation of adequacy and effectiveness of the corporate governance environment;
- Evaluation of the Bank's process for monitoring compliance with laws, regulations, code of conduct, regulatory requirements and internal policies; and
- Shari'ah Control, Sharia Audit and Compliance function activities.

Board Risk Committee ("BRC")

Mr. Ali Humaid Ali Al Owais, the Chairman of BRC, acknowledges his responsibility to discharge the responsibilities of the BRC under its terms of reference, and ensure its effectiveness.

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

In 2022, BRC fulfilled its responsibilities towards ensuring that there is a comprehensive Group-wide risk governance framework appropriate to the risk profile, nature, size and complexity of the Bank's business and structure. BRC ensured that due authorities are provided at appropriate levels for the approval of the Bank's policy documents and risk measurement systems.

BRC ensured that risk controls are aligned with the Bank Risk Management Framework. Further, BRC ensured risk management objectives remained consistent and compliant with set standards and applicable regulations.

BRC composition as at 31 December 2022

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

2022 BRC Meetings

Date of BRC Meeting	Key Agenda Items	Number of Attendees	Names of Absent Members
16 March 2022	• Group compliance report. • Quarterly risk reports and portfolio update reports, recovery updates, funding and liquidity and interest rate bisk in banking book (IRRBB) updates. • Group risk appetite statement FY 2022. • Quarterly fraud report. • Governance related matters (to include minutes, policies and terms of reference).	2	Mr. Ali Humaid Ali Al Owais
15 June 2022	• Group compliance report. • Quarterly risk reports and portfolio update reports, recovery updates, funding and liquidity and interest rate risk in banking book (IRRBB) updates. Quarterly fraud report 1Q 2022. • Conduct risk framework. • Governance related matters (to include minutes, policies and terms of reference).	3	nil
14 September 2022	• Group compliance report. • Quarterly risk reports and portfolio update reports, recovery updates, funding and liquidity and interest rate risk in banking book (IRRBB) updates. Quarterly fraud report 2Q 2022. • Governance related matters (to include minutes, policies and terms of reference).	3	nil
9 November 2022	• Group compliance report. • Quarterly risk reports and portfolio update reports, recovery updates, funding and liquidity and interest rate risk in banking book (IRRBB) updates. Quarterly fraud report 3Q 2022. • External fraud incident – credit syndicate. • Financial crime risk assessment (FCRA) 2022. • Governance related matters (to include minutes, policies and terms of reference).	3	nil

Remit

The primary responsibility and function of the BRC is to assist the Board of Emirates Islamic to fulfil its duties by overseeing:

- Overall risk strategy, risk appetite and risk tolerance;
- The Bank-wide risk governance framework, including risk appetite;
- The Bank's risk profile and risk monitoring with respect to the approved risk appetite framework;
- Credit and market risk exposures against the Group's risk profile; and
- Basel II and III related activities.

Board Nomination, Remuneration and ESG Committee ("BNRESGC")

Mr. Buti Obaid Buti Al Mulla, the Chairman of BNRESGC, acknowledges his responsibility to discharge the responsibilities of the BNRESGC under its terms of reference, and ensure its effectiveness.

BNRESGC will Continue strengthening of the BNRESGC's governance on people matters and implementing the new Terms of Reference of the BNRESGC in 2023. However, BNRESGC has made the following key achievements during 2022:

- BNRESGC Ensured that the Compensation Policy & Framework supports the Bank's strategy, objectives, culture and values, is creating the desired incentives for managing risk, capital and liquidity, and is aligned with all applicable regulations;
- Oversaw the performance and remuneration of the Bank's Senior Management;
- Ensured the establishment of a Fit and Proper process for identifying, assessing and selecting members of Senior Management;
- Approved major People Projects such as:
    - Transformation of the HR Technology landscape into a single comprehensive suite of applications to provide coverage, integration, and control over End-to-End journeys of the employee lifecycle.
    - Development of a new career architecture model which provides a blueprint of roles, accountabilities, skills and experiences, allowing individuals to map their career options across the organisation and the business to more effectively access and manage talent based on skills.
- Reviewed the different Board Committees and their activities and approved the formation of a BPEC; and
- Reviewed and approved the new Emiratisation strategy in alignment with the updated guidelines from CBUAE.

BNRESGC Composition as at 31 December 2022:

Chairman	Mr. Buti Obaid Buti Al Mulla	Independent Director
Member	Mr. Salem Mohamed Obaidalla	Independent Director
Member	Mr. Ali Humaid Ali Al Owais	Independent Director

2022 BNRESGC Meetings

Date of BNRESGC Meeting	Key Agenda Items	Number of Attendees	Names of Absent Members
2 February 2022	• Resignation and appointment of Board members. • Workforce report. • Emiratisation achievements for 2021. • Senior management joiners and leavers report. • Emirates Islamic HR updates, including compensation/performance bonus 2021. • Review Emirates Islamic Board induction programme. • Governance related matters.	4	nil
28 June 2022	• Workforce Report. • Executive-level joiners and leavers report. • Emirates Islamic Emiratisation report. • Review and approve the 2022 learning calendar for the Board. • Introduce a new career architecture model.	3	nil
27 September 2022	• Workforce report including key appointments. • Emirates Islamic Emiratisation report. • Group executive-level joiners and leavers report. • Formation of the Profit Equalisation Committee. • Governance related matters.	3	nil
16 November 2022	• Emirates Islamic workforce report including key appointments. • Emirates Islamic executive-level joiners and leavers report. • Emirates Islamic Emiratisation report. • Review and approve fit and proper policy enhancements – senior management. • Update on Emiratisation strategy for 2022-2026. • Review and approve national service policy revisions. • Review and approve Emirates Islamic bonus pool proposal for 2022. • Review and approve Emirates Islamic Board training calendar – 2023.	3	nil

Remit

The primary responsibility and function of the BNRESGC is to assist the Emirates Islamic's Board to fulfil its duties by overseeing:

- Matters relating to the Board, including the composition, nomination, assessment, succession plans and remuneration policies for the Directors;
- Reporting on corporate governance and remuneration matters, and the development of the corporate governance framework, systems and controls;
- Oversight of the Environment, Social and Corporate Governance ("ESG") and corporate sustainability strategy;
- Corporate culture and values, including its governance culture;
- Selection, assessment, succession and remuneration policies for Senior Management; and
- HR strategy including Emiratisation.

Board Credit and Investment Committee ("BCIC")

Mr. Hesham Abdulla Qassim Al Qassim, the Chairman of BCIC acknowledges his responsibility to discharge the responsibilities of the BCIC under its terms of reference and ensure its effectiveness.

BCIC Composition as at 31 December 2022

Chairman	Mr. Hesham Abdulla Qassim Al Qassim	Independent Director
Member	H.E. Mohamed Hadi Ahmad Al Hussaini	Independent Director
Member	Mr. Salem Mohammed Ibrahim Obaidalla	Independent Director
Member	Mr. Shyne Nelson	Non Indpendent Director

2022 BCIC Meetings

Number of BCIC Meetings	Key Agenda Items
41	• Review and monitor the effectiveness of credit and investment risk strategy, periodically review risk appetite of Emirates Islamic and provide guidance to the senior management on business strategies and credit and investment Policies

Remit

The primary responsibility and function of the BCIC is to assist the Emirates Islamic's Board to fulfil its duties by overseeing:

- Management of the credit and investment portfolio;
- Effectiveness of the credit and investment risk strategy and policies;
- Approval of new products and services, bank and country lines, credit facilities and investment and asset management proposals; and
- Review the portfolio composition, quality, performance and compliance.

Board Profit Equalisation Committee ("BPEC")

Mr. Hesham Abdulla Qassim Al Qassim the Chairman of BPEC acknowledges his responsibility to discharge the responsibilities of the BPEC under its terms of reference, and ensure its effectiveness.

The BPEC, formed in November 2022, is a Committee of the Board, from which it derives its authority and to which it regularly reports.

The implementation of the governance policy framework, with the primary objective of protecting the interests of stakeholders in line with the Higher Shari'ah Authority and Internal Shari'ah Supervision Committee resolutions.

BPEC Composition as at 31 December 2022

Chairman	Mr. Hesham Abdulla Al Qassim	Independent Director
Member	Mr. Buti Obaid Buti Al Mulla	Independent Director
Member	Dr. Salim Al Ali	ISSC representative

2022 BPEC Meetings

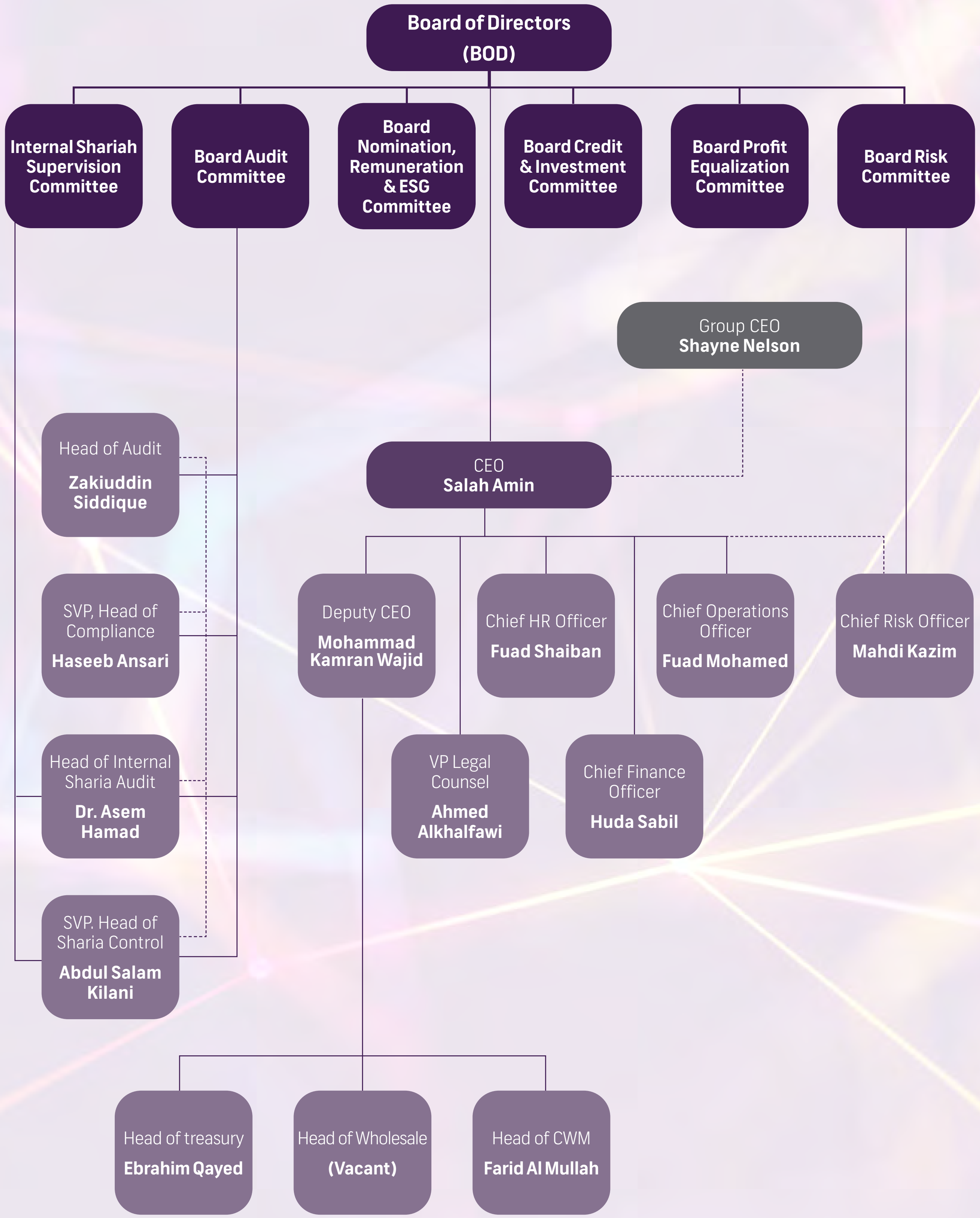
Date of BPEC Meeting	Key Agenda Items	Number of Attendees	Names of Absent Members
9 November 2022	• Review and approve key governance related matters including the Committee Terms of Reference and Policy.	3	Nil

Remit

The primary responsibility and function of the BPEC is to assist the Emirates Islamic's Board to fulfil its duties by overseeing:

- The policies and strategies of the investments, and strategies for the management of displaced commercial risk;
- The regular reviews of the investment policies and the performance of the asset portfolio in which investment account holders' funds are invested;
- Monitoring and scrutiny of the utilisation of reserves such as Profit Equalisation Reserve ("PER") and Investment Risk Reserve ("IRR") and to make appropriate recommendations to the Board; and
- Implementing the governance policy framework, with the primary objective of protecting the interests of stakeholders in line with the Higher Shari'ah Authority and Internal Shari'ah Supervision Committee resolutions.

Senior Management



Salah Amin

Chief Executive Officer

Salah Amin is the Chief Executive Officer of Emirates Islamic, the Islamic Banking arm of Emirates NBD Group. Salah has nearly 30 years of banking experience, having started his career at Emirates NBD Group in 1989. He has worked in several senior managerial roles, including as head of branches and Head of Corporate Banking Unit and most recently, as EVP, Head of Corporate Banking Group, Emirates NBD. Salah has extensive experience across corporate clients and distribution management, creating and driving strategy on behalf of clients in several geographies and industries across the Group. He holds board-level positions in several Financial Institutions (FIs) and non-banking FIs in the UAE, including Vice Chairman of SAYACORP Bank Bahrain – Manama, and Director of Emirates NBD Capital (EMCAP), and Emirates NBD Properties and Chairman of Emirates NBD Securities. Educated in the USA and having worked in multi-cultural environments, Salah has a keen understanding of cultures and traditions which is key in being a team player.

Mohammad Kamran Wajid

Deputy Chief Executive Officer

Mohammad Wajid is the Deputy Chief Executive Officer of Emirates Islamic Bank, a subsidiary of Emirates NBD Group. In his current role, Kamran leads all revenue-generating functions at Emirates Islamic, including Consumer and Wealth Management, Corporate & Institutional Banking, Treasury and Transaction Banking. In addition, Kamran also serves as a member of various other boards and committees, including Tanfeeth LLC. Kamran, a veteran of over 27 years in the UAE banking industry (out of which 20 years have been with Emirates NBD Group), is a well-known name in the regional banking space and has undertaken a range of diverse assignments with Emirates NBD Group including the CEO of Emirates NBD Capital Limited, CEO of Emirates Financial Services, and Group Head of International Wholesale Banking & Financial Institutions. Prior to joining Emirates NBD Bank PJSC, Kamran worked with National Bank of Abu Dhabi (NBAD) and Mashreq Bank PSC. He also served as a member of the board of Shuaa Capital PSC, Emaar Industries & Investment and was the Group CEO of Emerald Palace Group from 2016 to mid-2019.

Huda Sabil Abdulla

Chief Financial Officer

Huda Abdulla is the Chief Financial Officer of Emirates Islamic, responsible for the Bank's finance function, including directing and controlling the Bank's financial strategies, business objectives, budget and performance management. She has been an integral part of the Emirates NBD Group for over 28 years, having started her career as a Personal Services Officer at Emirates Bank, responsible for the Bank's HR services. Her career in the Bank progressed through various finance roles and, in 2013, Huda moved to Emirates Islamic, as Vice President Business Performance. Huda has played a key role in developing tools and systems to provide critical financial and operational information to the CEO and Board, and made actionable recommendations on both strategy and operations, aimed at raising shareholder value. Huda is a board member of DFM. She is a qualified Certified Management Accountant (CMA) and Certified Islamic Professional Accountant (CIPA), and holds a Bachelor's degree in Business Administration from Ajman University.

Fuad Mohamed

Chief Operations Officer

Fuad Mohamed has been our Chief Operating Officer at Emirates NBD Egypt since 2016 and previously was a Vice President in Group IT here in the UAE. From 18 July 2022, Fuad has joined Emirates Islamic's as Chief Operating Officer.

Fuad Shaiban

Chief HR Officer

Fuad Shaiban is a seasoned business executive with over 20 years of experience in strategic human resources leadership across the private and semi-government sectors. Currently, he is the Emirates Islamic Bank Chief Human Resource Officer and Group Head Emiratisation. Before his latest appointment as the CHRO, he was at the Emirates NBD Group, a leading banking institution in the MENAT region, where he led the Group's Talent Management, Recruitment, Organizational Development and Emiratisation functions.

He has been a human capital leader in world-class organisations, and prior to joining the Emirates NBD Group, he was the Director of Human Resources at Barclays Bank PLC UAE. Fuad later became the bank's Director of UAE Government Affairs & Advisor to the CEO. In this role, he managed all senior stakeholder relationships and represented Barclays Bank in its engagement with the government, media, and regulatory bodies. Fuad has held other senior management roles including Head of Human Resources at the Government of Dubai's Executive Office, and across leading global institutions such as HSBC Bank Middle East Limited and Ernst & Young. Fuad holds a Master of International Human Resources Management from Coventry University in the United Kingdom.

Mahdi Al Kazim

Chief Risk Officer

Mr. Mahdi Al Kazim appointed as an Emirates Islamic Chief Risk Officer in Oct 2022 and in his role Mr. Mahdi is responsible for all Risk functions within the bank. He has a wide ranging experience in the Banking industry of 33 years across various banking functions. Prior to joining Emirates Islamic Bank, he was the Chief Credit Officer of Emirates NBD. He formally served on the board of Emirates Islamic Brokerage as a Vice Chairman and Chairman of Corporate Banking Committee of Union Banking Federation (UBF). He currently holds a board position in Emirates NBD Capital. Mr. Mahdi holds a bachelor's degree in Accounting and Computer Science and attended a program with IMD in International General Management program for executive development in Lausanne, Switzerland. He also registered as certified Public Accountant with Ministry of Economy, UAE.

Zaki Siddiqui

Head of Internal Audit

Zaki Siddiqui has more than 36 years of experience in Internal Audit function across all areas of Corporate and Retail Banking, Trade Finance, Operations, Project Financing and Leasing. He previously managed and performed audit responsibilities for Mashreq Bank and BCCI in various countries including some highly regulated economies like, USA, UK, Hong Kong, Nigeria, India, etc. other countries include Mauritius, Seychelles, Bangladesh, France, Ivory Coast, Togo, and all GCC countries. Managed several special assignments and fraud investigations across various Banking areas. Zaki has extensive experience of working in Line Management in decentralised branch environment in the area of Credit and Marketing, Trade Finance and General Banking. He is Head of Audit for Emirates Islamic since July 2012, reporting to the Emirates Islamic Board Audit Committee and Group Chief Internal Auditor. Part of Senior Management committees including Emirates Islamic Executive Committee.

Zaki holds Master of Business Administration degree and Diploma in Banking from Institute of Bankers Pakistan.

Haseeb Ahmad Ansari

Chief Compliance Officer

Haseeb Ansari is the Chief Compliance Officer at Emirates Islamic (part of the Emirates NBD Group) and has more than 26 years of international banking experience, which includes management of Regulatory and Financial Crime Compliance frameworks, as well as Governance and Operations. He has extensive experience in dealing with regulators, industry bodies, foreign correspondent banks and vendors. He has been an active member in the Compliance community and currently, he is the Vice Chairman of the UAE Banks Federation (UBF) Compliance Committee. Prior to joining Emirates Islamic, Haseeb was the Chief Compliance Officer at United Arab Bank and previously, he completed more than 9 years at Barclays Bank PLC, where his last assignment was the Regional Head of Compliance for the Middle East. He originally started his career at Citibank, managing a diverse spectrum of functional portfolios for over a decade.

Dr. Asem Hamad

Head of Internal Shari'ah Audit

Dr. Asem Hamad, holds a PhD in Islamic Jurisprudence from Sharjah University. He has been working in the field of Islamic Banking in UAE for more than 16 years. Has started his banking career with ADIB, then moved to Emirates Islamic Bank, he is handling the Shari'ah Audit function since 2011, and has published some articles and books in Islamic finance and Shari'ah Audit, a member of some committees of the CBUAE and the Union of UAE Banks.

Dr. Abdulsalam Kilani

Head of Shari'ah Control

Dr. Abdulsalam Kilani, holds a PhD in Transactional Jurisprudence from Scandinavia University in Norway, a Master's in Transactional Jurisprudence from the American University of London, and a BA in Islamic Studies from the United Arab Emirates University.

Dr. Abdulsalam has excellent experience in consulting and Shari'ah governance field in addition to Shari'ah Control, Auditing and training.

He has been working in the field of managing the Shari'ah departments of Islamic banks in UAE for more than 15 years. He has a pivotal role in developing the Islamic banking products, reviewing annual plans for Shari'ah Control and auditing, and directing Sharia Control departments to improve work efficiency and raise the level of Shari'ah quality through proper Shari'ah implementation. In addition to supervising the Shari'ah training materials, such as electronic and remote education training, which were specially prepared for bank employees, as well as providing Shari'ah training courses for various departments and job levels. Dr. Abdulsalam has some research in topics of Islamic jurisprudence, finance and Islamic banking.

Dr. Abdulsalam is Head of Internal Shari'ah Control Department at Emirates Islamic Bank, a member of the Unified Committee of Islamic Banks for Shari'ah Evaluation of Shares and a member of Shari'ah Committee at Arabian Scandinavian Insurance Company (TAKAFUL).

Ebrahim Khalil Qayed

Head of Treasury

Ebrahim Qayed was appointed as the Head of Treasury and Markets in 2019. In this role, Mr. Qayed is responsible for managing the Bank's liquidity and strategic balance sheet, providing treasury sales, structuring and execution solutions to business units within the Bank and managing the Bank's investment book. He started his career with the Holding Company Group in 2006 and, during his career, held various positions (including as a Branch Manager, Head of Flow and Execution Desk and Head of Treasury Sales and Structuring). He joined Emirates Islamic in 2012. Mr. Qayed holds a bachelor's degree in Information System from the University of Melbourne (Australia) and a master's degree in International Business from Monash University (Australia). He has also completed the Strategic Thinking and Leadership programme at Wharton School and the Leadership Development programme at Darden Business School.

Farid Mohammed Al Mulla

Head of CWM

Farid Al Mulla is Head of CWM in Emirates Islamic's, effective February 2022. Farid has been the Bank's Deputy Head of Consumer Banking and Wealth Management since 2020 and previously held a broad range of leadership roles at Emirates Islamic including Head of Private Housing Finance, Head of Home Finance and Head of Distribution. Farid initially joined the Bank in 1991, giving him a strong track record to now lead the CWM team to and help the Bank become the UAE's Islamic retail bank of choice. Farid believes that Customer Service is at the heart of everything we do at Emirates Islamic. Improvement of service levels always considerable and all members must commit to provide customers with supervisor experience consistently and at every interaction. By this, Emirates Islamic will achieve of being the true leader in the Islamic Banking Industry.

Ahmed Mohammed Saeed Mohammed Alkhalfawi

Vice President, Legal Counsel

Ahmed Alkhalfawi is a Master in Private Law with extensive experience of 17 years in legal, leadership and management, corporate governance, developing plans and policies, controlling legal risks and providing legal advice. He has held senior roles in the legal department at government and semi government entities such as DP World – Dubai, Jebel Ali Free Zone (FZE) and Jebel Ali Authority Dubai, Dubai Islamic Bank and HSBC – Dubai Head Office. Managing the litigation and all legal opinions on all scales; administratively, financially and procedurally on tasks related to legal cases and other advisory tasks of the group including all subsidiaries and business units.

Management Compensation

For the year 2022, Salah Amin, Chief Executive Officer, appointed on June 20 2018, was paid Total Compensation* of AED 5,130,000; Huda Sabil, Chief Financial Officer, appointed on August 4 2019 was paid Total Compensation* of AED 1,624,400; Mahdi Kazim, Chief Risk Officer, appointed on October 1, 2022 was paid Total Compensation* of AED 2,887,680 and Mohammad Kamran Wajid, Deputy Chief Executive Officer, appointed on March 1, 2022, was paid Total Compensation* of AED 3,189,200.

*Total Compensation is comprised of contractual pay and variable cash compensation paid in the year 2022. It does not include, deferred compensation awarded for the 2022 performance year with payment dates in future years, employer contributions to pension, medical and life insurance or gratuity.

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

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

The discretionary annual bonus scheme is fully flexible, allowing for the possibility of variable compensation award values being zero. Variable pay levels will not exceed 100% of fixed compensation unless, in certain circumstances, Emirates NBD seeks to increase these levels to either 150% of fixed compensation – with approval by the Board or 200% of fixed compensation – with approval by the General Assembly of the Bank.

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

Variable compensation awards are subject to ex-post risk adjustment in the form of in-year adjustments, as part of the year-end compensation process, after vesting, or after the awards of have been paid out. The applicable claw back period shall be the later of three years after the date of payment or the date of vesting of the relevant award.

Ex-post risk adjustment may be applied on an individual or a collective basis, depending on the circumstances of the event and in a range of circumstances, including but not limited to, material restatement or downturn of financial results for the relevant period, fraud or gross negligence by an individual or group of employees, material error or failures of risk management controls.

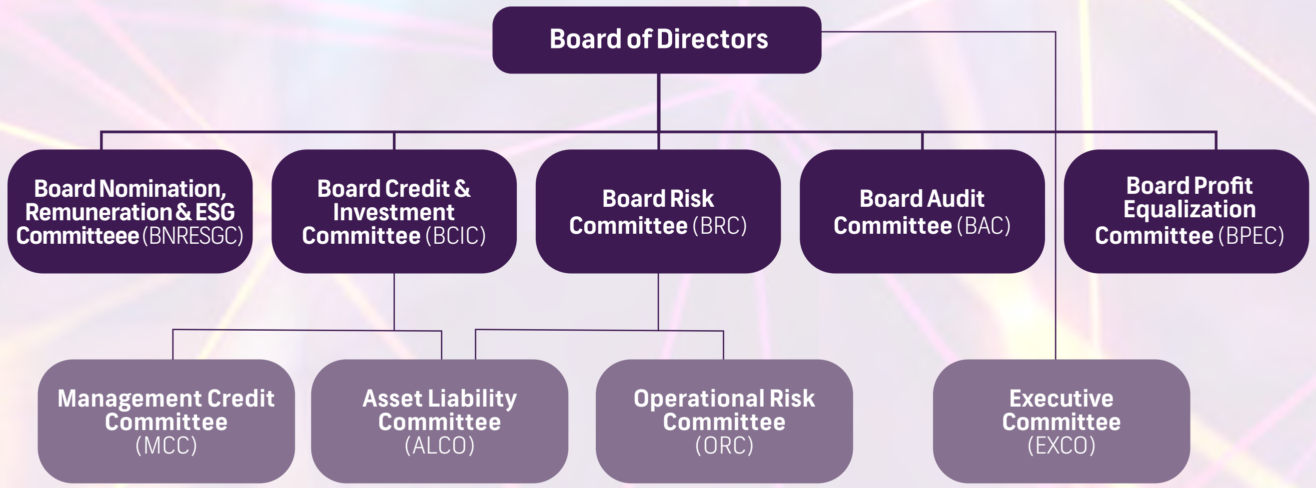
For further details of the remuneration policy, design and structure of remuneration processes, please refer to PILLAR 3 report.

Management Committees

Emirates Islamic has several management committees, including the Executive Committee ('EXCO'). A number of additional management committees have been established to help execute the objectives of the EXCO and assist in the efficiency and effectiveness of running, controlling and monitoring of the business of Emirates Islamic.

Each management committee has an approved terms of reference that outlines its authority, responsibilities, meeting frequency and practices. The management committees help drive decision making across a number of areas of the business, including the management of assets, risk, and credit.

Emirates Islamic Board and Management Governance



Management Committee	Number of Meetings Held in 2022	Responsibilities of the Committees
Executive Committee (EXCO)	12	EXCO manages the Bank's activities in a manner consistent with the business strategy, risk appetite, remuneration and other policies set by the Board. The EXCO updates the Board periodically on all material matters including changes in business strategy and risk appetite, Bank's performance and financial condition, breaches of risk limits or compliance rules, internal control failures, legal or regulatory concerns.
Management Credit Committee (MCC)	45	MCC supports BCIC to achieve the strategic objectives of the Group by assessing, approving or recommending new, enhanced, renewal of existing credit and bank risk facilities, debt settlement, provisioning and write offs, amendments to pricing, grades and waivers pertaining to credit facilities, within parameters set by BCIC.
Asset Liability Committee (ALCO)	11	ALCO is part of the overall governance structure of the Asset Liability Management (ALM) process. ALCO is responsible for overseeing the Bank's capital adequacy assessment (supply), reviewing the liquidity tolerance and profit rate risk mismatches and managing maturity gaps and funding plans.
Operational Risk Committee (ORC)	4	ORC is appointed by the Board and reports to the Board Risk committee (BRC) and is chaired by Chief Executive Officer. The responsibilities of ORC are to ensure the effective application of the Operational risk management framework across Emirates Islamic.

General Assembly Meetings

The General Assembly Meeting is Chaired by the Chairman of the Emirates Islamic Board. All Directors, the external Auditor, a representative of SCA and shareholders are invited to attend. The meeting minutes are taken by the Group Company Secretary and are made available to the SCA and shareholders through a market announcement before opening of the next market trading day.

During the 2022 GAM, the agenda of the meeting included several standard GAM items subject to ordinary resolution (being a simple majority of the eligible votes), cumulative voting for the Directors, and a number of matters which required special resolutions of 75% or above of the eligible votes. The resolutions passed by the shareholders were as follows:

Matter	Resolution Type
Directors' Report	Ordinary
Auditors' Report	Ordinary
Internal Shari'ah Supervision Committee Report	Ordinary
Consolidated Financial Statements of Emirates Islamic as at 31 December 2021	Ordinary
Appointment to the Internal Shari'ah Supervision Committee	Ordinary
Absolving the Directors of the Board for the 2021 Financial Year	Ordinary
Absolving the External Auditors for the 2021 Financial Year	Ordinary
Appointment of Directors for a New Term of Three years	Cumulative
Appointment of External Auditor and their Remuneration for the 2022 Financial Year	Ordinary
Appointment of Representatives for Emirates Islamic Shareholders and their Remuneration	Ordinary
Approval of the Proposals for Non-convertible Securities Programmes	Special
Amendment of the Memorandum and Articles of Association of Emirates Islamic	Special

External Auditors

Selection of the External Auditors

The External Auditor appointed by shareholders in the 2022 GAM for the 2022 financial year is Deloitte & Touche (M.E). Deloitte & Touche has served for four consecutive years as the External Auditor of Emirates Islamic. The Audit Partner at Deloitte & Touche (M.E) in charge of the external audit rotated after three years. External audit firms may only be appointed for a maximum of six years.

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

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

Name of the audit office and partner auditor	**Deloitte & Touche (M.E.)** Mr. Ali Abdul Aziz
Number of years he served as the company external auditor	One year
Total fees for auditing Emirates Islamic consolidated financial statements for 2022 (in AED)	0.7 M

Fees

The Group BAC annually approves the fee for external audit services included in scope at the beginning of the year. The list of services includes audit services, audit-related services and any other relevant services. The Group BAC can approve additional fees for the services of external auditors that may arise throughout the year or where the fee exceeds the prior approved amount. There were no special services provided by the external auditor during 2022.

2022 Audit

No reservations were raised by the external auditor in respect of the year ended 31 December 2022.

Islamic Banking
Governance

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

In line with the CBUAE Shari'ah Governance Framework, Emirates Islamic Bank has established three lines of defence approach, the Business Units, the Internal Shari'ah control Department, and the Internal Shari'ah Audit Department, respectively. These Units support Emirates Islamic Shari'ah governance activities, oversight, and reporting.

The overall bank is governed by the Internal Shari'ah Supervision Committee ("ISSC"), comprised of independent Shari'ah scholars. The shareholders appoint members of the ISSC shareholders at the General Assembly Meeting, upon nomination by the Board and approval from the HSA of CBUAE.

Emirates Islamic has well-established policies, procedures, and controls that the ISSC approves and facilitates business activities in a manner compliant with Shari'ah.

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

The ISSC issues a yearly report on its activities, including assurance that Emirates Islamic complies with the Shari'ah principles and outlining any instances of non-compliance. in addition, the bank submits the report to the HSA of the CBUAE for no objection before presenting it to the bank's shareholders at its General Assembly Meeting.

During the year 2022, 104 meetings were held by the ISSC, there were no absentees.

The current Members of the Internal Shari'ah Supervision Committee are as follows:

Prof Dr. Mohamed Ali Elgari
(appointed 01 June 2021)

Prof Dr. Elgari holds the distinction of being a Former Professor of Islamic Economics at King Abdulaziz University, Jeddah, Saudi Arabia, and Former Director of the Center for Research in Islamic Economics, at the same university.

He is an Expert at the Islamic Jurisprudence Academy of the OIC and the Islamic Jurisprudence Academy of the Islamic World League. Dr. Elgari is also a Member of the Board of Trustees of AAOFI as well as their Shari'ah Council.

Dr. Elgari is also Chairman and Member of numerous Shari'ah Boards of Islamic banks and Takaful companies worldwide. He has authored several books in Islamic finance and has published tens of articles on the subject, both in Arabic and English.

Dr. Elgari holds a PhD from the University of California.

Prof. Dr. Mohammad Abdul Rahim Sultan Al Olama
(appointed 6 May 2021)

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

He is a member of a number of Fatwa and Shari'ah Supervisory Boards for Islamic financial institutions and Takaful companies.

Prof. Dr. Mohammad Abdul Rahim Sultan Al Olama holds a PhD in Comparative Islamic Jurisprudence from Umm Al-Qura University in Makkah Al-Mukarramah, in the Kingdom of Saudi Arabia.

Dr. Salim Ali Al-Ali
(appointed 13 August 2020)

Dr. Salim Ali Al-Ali is an assistant professor at the Department of Shari'ah and Islamic Studies at the College of Law at the United Arab Emirates University, where he teaches a spectrum of courses related to Islamic law and Islamic banking. He was educated in the United Kingdom, where he received his PhD in Financial Law from the University of London.

He holds a Bachelor's Degree in Shari'ah (Jurisprudence and its Fundamentals) and a Master's Degree in Islamic Banking and Finance. Dr. Al-Ali was also a part-time lecturer for the LLM programme at the BPP Law School, BPP University, based in London, where he lectured on a broad spectrum of jurisprudence matters, including Islamic, English, and comparative laws. He is a member of the internal Shari'ah Supervisory Committee for a number of institutions offering Islamic financial services. He is an author of a book titled 'Raising Capital on Sukuk Markets: Structural, Legal and Regulatory Issues'.

H.E. Essam Mohamed Eshaq
(appointed 30 March 2021)

H.E. Essam Mohamed Eshaq is a member of the Higher Shari'ah Authority of the Central Bank. He also serves as the Deputy Chairman of the Governance and Ethics Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and as a Member of the Supreme Council for Islamic Affairs in the Kingdom of Bahrain. He is the Chairman and member of the Shari'ah board and committees of several Islamic banks and institutions including Abu Dhabi Islamic Bank PJSC (UAE). He holds a Bachelor's Degree in Political Science from McGill University (Canada)

Dr. Amin Fateh
(appointed 1 June 2021)

Dr. Amin Fateh holds a Bachelor's Degree and Master's Degree in Honourable Hadith, and a PhD in Islamic studies. He has been part of the Islamic Banking industry ever since its early stages in 1988.

He is a member of the internal Shari'ah Supervisory Committee for a number of institutions offering Islamic financial services. He lectured in many universities and is a profound bilingual Islamic Finance trainer who has provided many Islamic Finance training courses across the world.

Violations, Causes and Avoidance

Emirates Islamic maintains a process to ensure effective compliance with relevant regulations and to report any violations. During 2022, no material violations were identified or reported.

No major issues were identified and reported to the Board by the Emirates Islamic Chief Audit Officer, Chief Compliance Officer or Chief Risk Officer. No reservations were noted by the External Auditors for the 2022 financial year.

Contributions to Local Community and Preserving Environment

Emirates Islamic's Social Responsibility approach is based on a framework of 'Creating Shared Value' for our surrounding communities. We share the responsibility of improving the social and environmental conditions for our neighbourhoods and hope to enrich the lives of those who graciously share their space with us.

Philanthropy is a vital part of our purpose of creating opportunities to prosper and is our demonstration of sharing our good fortune with our fellow citizens and communities. Through our philanthropic spirit, we position ourselves as a socially responsible institution, validate our dedication to growing together with our surroundings, and fulfil our public duties.

For further details on the Emirates Islamic's ESG activities, please see the Bank's ESG Report for 2022.

Investor Relations and Company Performance

The Investor Relations department is primarily responsible for dialogue and interaction with external stakeholders including shareholders, debt holders, rating agencies and the professional investment community. Investor Relations coordinates the release of the Group's quarterly results to the public and updates stakeholders on performance and outlook. Investor Relations coordinates with Corporate and Institutional Banking Compliance to maintain and monitor an "Insider" register in line with all relevant laws and regulations.

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

The breakdown of shareholder types as at 31 December 2022 is set out in the following table:

	Shareholders Classification	Percentage of Owned Shares			
		Individuals	Companies	Government	Total
1	Local	0.0294	99.9706	Nil	100

The following table sets out a statement of the shareholders who hold 5% or more of the Emirates Islamic's shares as at 31 December 2022.

	Name	Number of Owned Shares	Percentage of Owned Shares of the Bank's Capital
1	Emirates NBD P.J.S.C	5,424,573,891	99.89

The following table sets out a statement of shareholders distribution by the size of equity as at 31 December 2022.

	Share(s) Ownership	Number of Shareholders	Number of Owned Shares	Percentage of Owned Shares of the Bank's Capital
1	Less Than 50,000	43	324,058	0.006
2	Between 50,000 and 500,000	5	713,728	0.013
3	Between 500,000 and 5,000,000	2	4,810,198	0.089
4	Greater than 5,000,000	1	5,424,573,891	99.892

Total number of Emirates Islamic shares in issue = **5,424,573,891**

Statement of Emirates Islamic share price in the market (closing price, highest and lowest price) at the end of each month during 2022.

No.	Month & Year	Monthly High	Monthly Low	Monthly Close
1	Jan 2022	7.470	7.470	7.470
2	Feb 2022	No Trading	No Trading	7.470
3	Mar 2022	No Trading	No Trading	7.470
4	Apr 2022	7.470	7.470	7.470
5	May 2022	No Trading	No Trading	7.470
6	Jun 2022	No Trading	No Trading	7.470
7	Jul 2022	No Trading	No Trading	7.470
8	Aug 2022	8.000	8.000	8.000
9	Sep 2022	No Trading	No Trading	8.000
10	Oct 2022	No Trading	No Trading	8.000
11	Nov 2022	No Trading	No Trading	8.000
12	Dec 2022	7.490	7.490	7.490

Statement of Emirates Islamic's comparative performance with the general market during 2022.

No.	Month & Year	Emirates Islamic Bank	DFMGI	FINANCIALS
1	Jan 2022	7.47	3203.08	2416.75
2	Feb 2022	7.47	3354.64	2549.30
3	Mar 2022	7.47	3526.60	2587.59
4	Apr 2022	7.47	3719.63	2659.38
5	May 2022	7.47	3347.24	2399.45
6	Jun 2022	7.47	3223.29	2312.80
7	Jul 2022	7.47	3337.96	2368.10
8	Aug 2022	8	3443.11	2359.33
9	Sep 2022	8	3339.15	2381.43
10	Oct 2022	8	3331.76	2351.51
11	Nov 2022	8	3323.96	2348.51
12	Dec 2022	7.49	3336.07	2354.84

New Projects and Initiatives

During 2022, Emirates Islamic reviewed and enhanced its governance policies and procedures in line with current regulations, to ensure a governance approach that effective. Emirates Islamic continued to develop key governance projects and initiatives during 2022, including implementing an electronic Board portal system to ensure effective, efficient and timely delivery of Board and Committee papers in a streamlined and secure way.

Key governance initiatives planned for 2023 include enhancing processes around:

- Delegations of authority;
- Powers of attorney;
- Board and Committee annual agenda planning; and
- Oversight of international activities.

Oversight for ESG matters will also be enhanced through the BNRESGC, with ultimate oversight by the Board.

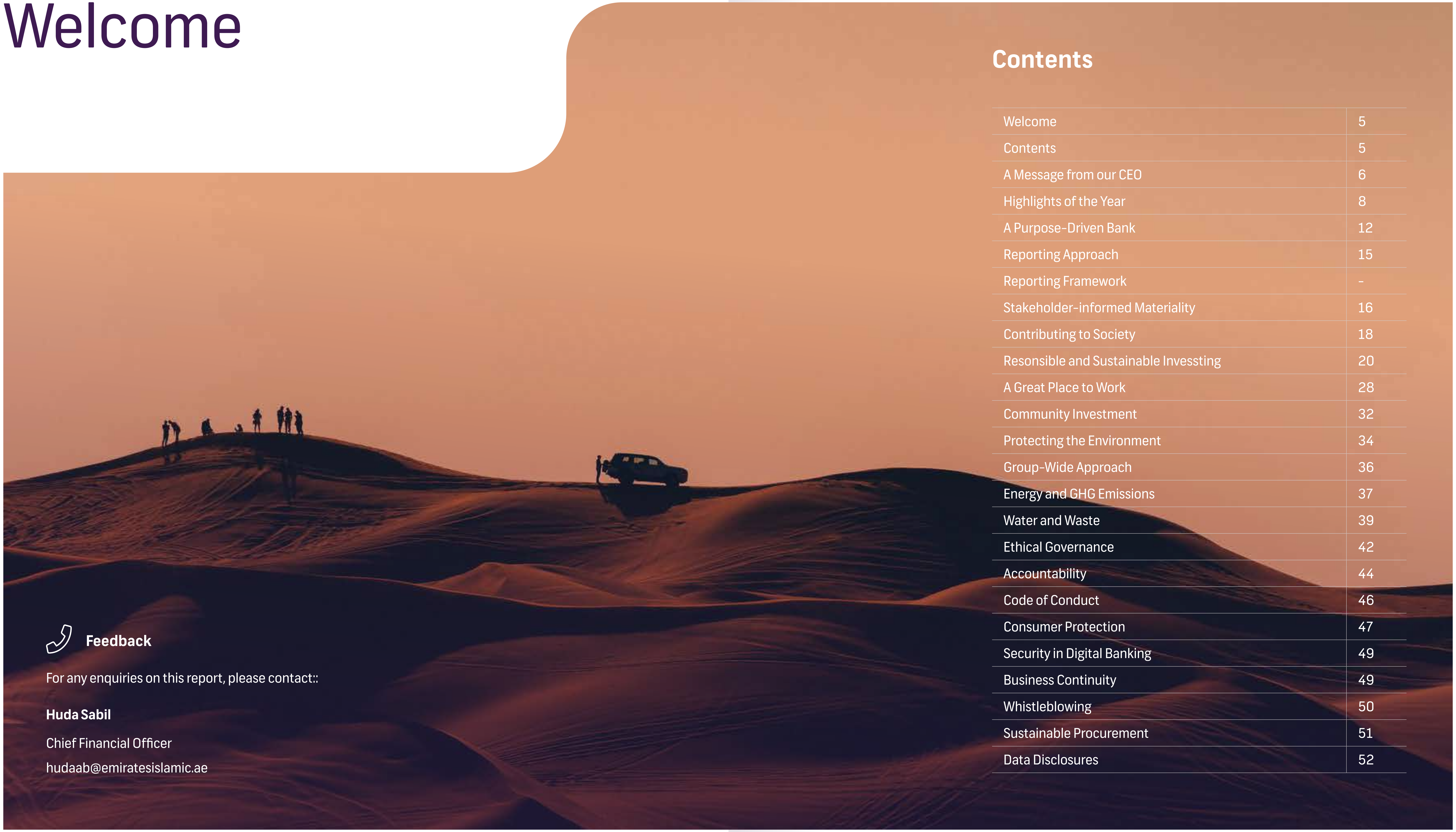
Looking to the Future with Confidence

Emirates Islamic Bank PJSC Environmental, Social and Governance Report 2022

Emirates Islamic Bank (P.J.S.C.) is licensed by the Central Bank of the UAE.

الإمارات الإسلامي
EMIRATES ISLAMIC

Welcome



Feedback

For any enquiries on this report, please contact::

Huda Sabil

Chief Financial Officer

hudaab@emiratesislamic.ae

Contents

Message from our CEO

Emirates Islamic, the Islamic banking arm of Emirates NBD Group, is pleased to present its Annual ESG Report of 2022, reflecting our Environmental, Social, and Governance performance.

Our commitment to embed ESG in our core culture, operations and strategy can be seen, not only in the achievements outlined in this report, but also with the appointment of a Group Head of ESG, Vijaypal Singh Bains. As we advance on our sustainability journey, this dedicated function will align the Group's adherence to ESG principles and practices and develop our ESG framework set to be published in 2023.

2022 saw progress being made in reducing our emissions at a Group level. We also continue to strive towards gender parity. New female hires have more than doubled between 2020 and 2022, and the number of women in middle management has also grown by an impressive 28%% over the same period. A female leadership target has also been set, aiming at 25% of senior roles to be filled by women by 2027.

ESG awareness and education across the organisation, from Board of Directors and executive management to staff, is a key priority, as continuous learning ensures stakeholders are up to date on latest sustainability standards and regulations.

Finally, we take inspiration from the national vision of the UAE, and HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai's priorities for the year 2023, which include advocating for the environment and sustainability, in solidifying our own commitment to a sustainable future.

Highlights of the Year

In 2022, we continued to make solid progress against financial and non-financial targets. In turn, we further supported our corporate purpose to Create Opportunities to Prosper.

We are committed not just to national and regional development goals, but also international targets such as the Sustainable Development Goals (SDGs). The SDGs significantly inform our sustainable business strategy and management approach. Below we have highlighted how our initiatives align with specific SDGs, how they relate to our sustainability agenda and overall business and provide more detail on our recent achievements linked to the SDGs and the Emirates Islamic business goals associated with them.

	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH
Contribution to Emirates NBD sustainability agenda	Ensure healthy lives and promote well-being for all at all ages	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Achieve gender equality and empower all women and girls	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Relevance for Emirates NBD business strategy and performance	Employee well-being and security and safety at work, avoidance of accidents and injury	Development of employee skills to better undertake their roles	Benefit from the skills female employees can bring to the organization and the positive image this creates for the company among all sections of society	Contribute to staff motivation and retention and productivity
Emirates NBD recent achievements linked to the SDGs, our sustainability agenda and business strategies	• Life and health insurance plans • Comprehensive employee wellness programmes • Health and safety training courses for all staff	• ESG certification for staff • Disability Etiquette and sign language workshops • Training and development of employees, dedicated programmes for Emiratis and internship opportunities • Financial literacy and wellbeing initiatives and trainings for our customers, employees and students • 13.6% increase in employee training hours	• 'See Her Empowered' (SHE) programme and LetsLink Women's Club • Flexible working hours and increased maternity leave • First female board member elected in 2022 • Appointed first female board member • 12% increase in female full time employees	• Provision of accessible banking services including Disability Friendly Branches, trained staff and Assistive Technologies • Employment opportunities for Persons with Disabilities through Careers Network platform

	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Contribution to Emirates NBD sustainability agenda	Reduced inequality within and among countries	Ensure sustainable consumption and production patterns	Take urgent action to combat climate change and its impacts	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Relevance for Emirates NBD business strategy and performance	Contribute to a prosperous society which helps ensure future commercial opportunities for the company and pool of potential employee talent and forward thinking customers	Foster a culture of innovation, efficiencies linked to sustainability and the creation of reliable and trustworthy products and services	Reduce associated climate risks for the company and the region	Ensure that the company is always on the right path towards good governance and ethical behaviour
Emirates NBD recent achievements linked to the SDGs, our sustainability agenda and business strategies	• Committed to the Targeted Economic Support Scheme (TESS) by the Central Bank of the UAE • Collaboration with UAE's Nonperforming Debt Relief Fund • Compliant with the Central Bank of the UAE Consumer Protection Regulation • AED 108.1 million community giving	• Efficient resource use (Energy, fuel and water) • Waste management and initiatives to Reduce, reuse and recycle • Certified Environmental Management Systems standard ISO 14001:2015. • Sustainable Procurement Policy	• 19% reduction, indirect energy consumption • 23% reduction, indirect greenhouse gas emissions	• Emirates Islamic – Internal Shariah Supervisory committee • Employee Code of Conduct • Cyber security • Fraud, Anti-Bribery and corruption, Whistleblower policy • Business Continuity and Crisis Management • Zero corruption incidents reported • 100% of operations assessed for corruption risk

DUBAI CHAMBER COMMERCE | CENTRE FOR RESPONSIBLE BUSINESS CSR LABEL 2022

Emirates NBD has been awarded the Dubai Chamber CSR Label for the second year in a row, which is designed to provide organizations with a diagnosis and a development tool that will help them refine and improve their CSR strategy, policies and practices.

The Label considers a company's approach to CSR and Sustainability across four impact areas: Workplace, Marketplace, Community and Environment.

A Purpose-Driven Bank

Established in 2004 as Emirates Islamic Bank, today we are a major player in the highly competitive financial services sector in the United Arab Emirates (UAE). We offer a comprehensive range of Shari'ah-compliant products and services across the Personal, Business and Corporate banking spectrum with a network of 42 branches throughout the UAE.

A Purpose-Driven Bank

As an Islamic bank, we strive to contribute to society in promoting equitable creation of wealth and a prosperous economy. Furthermore, our Charity Fund provides financial aid to those in need, with a focus on food, shelter, health, education, and social welfare contributions.

By embracing the Vision, Purpose and Values, we strengthen our position as an innovation-driven financial services provider that epitomises a new way of banking, matching the energy, ambition, and the enterprising drive of our great nation.

Vision: Be the most innovative Shari'ah compliant bank for our customers, people, and communities.

We put people at the centre of our innovation by understanding their needs and challenges, looking beyond the surface to identify what's next. We constantly iterate and invent to improve the lives of our customers, employees or communities.

Purpose: Create opportunities to prosper.

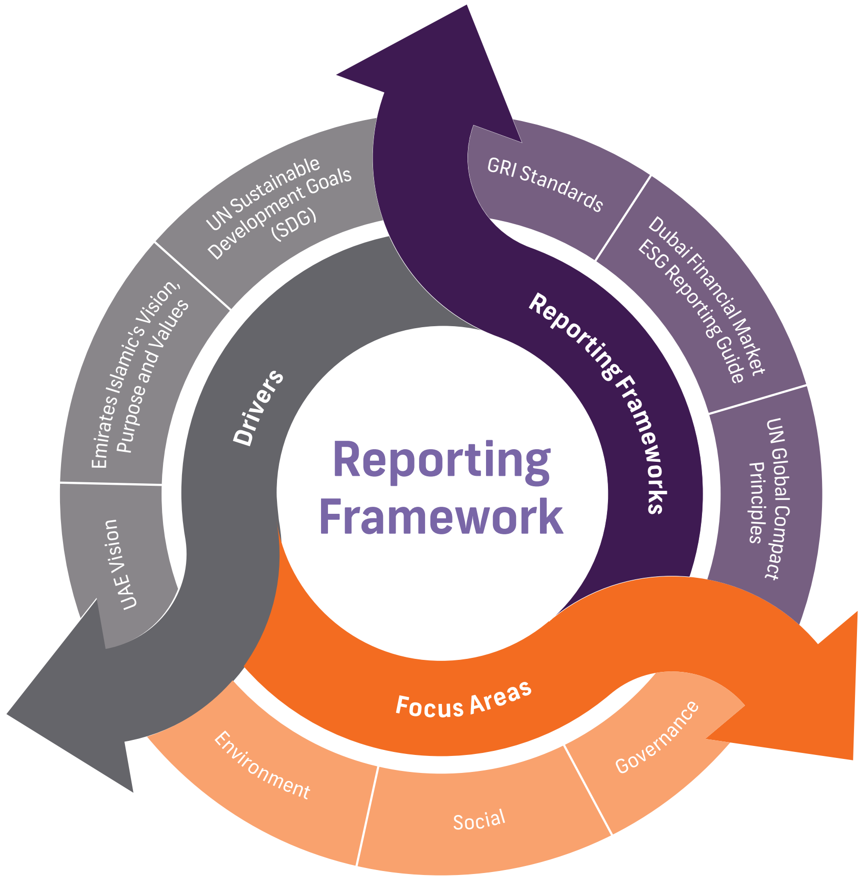
We are driven by finding new opportunities – all to improve our processes, our products, and most importantly, our place. Together, these inspire our actions beyond banking services and solutions, to create a positive and sustainable impact for each of our stakeholders and the communities in which we operate.

Values: Collaboration, Ownership, Drive and Enterprise.

Our values guide us in all our actions, from strategic decisions to interaction with our customers and each other. Our culture also ensures that the community is at the heart of our values and principles.

Reporting Approach

This report is aligned with the UAE Vision, as well as the United Nations' Sustainable Development Goals (UN SDGs). Global Reporting Initiative (GRI) standards inform our methodology. We are transparent about both achievements and areas for improvement.



Time Scope:

The report covers the calendar year 2022. Unless otherwise stated, all data and Key Performance Indicators (KPIs) are as of December 31, 2022, with historic trends shown wherever possible.

Business Scope:

We disclose information for Emirates Islamic (EI). The use of 'Emirates Islamic' (or "EI') refers to Emirates Islamic and our own subsidiaries. The report also includes Group-wide collected performance indicators.

Geographical Scope:

The report covers Emirates Islamic operations in the UAE unless stated otherwise.

Stakeholder-Informed Materiality

Emirates NBD Group regularly performs a Materiality Analysis to stay current on the opinions of our stakeholders regarding ESG issues that could have an effect on our operations. The analysis undertaken in 2022 resulted in an updated materiality matrix.

Stakeholder Group	Engagement Method	Key Topics of Engagement
Employees	Intranet, in-person meetings, ESG report.	Latest news, appreciations, learning and development, internal vacancies, referrals, employee management, service charter, etc.
Board of Directors	Board of Directors meetings held bi-monthly.	Strategy planning and oversight.
Internal Shari'ah Supervisory Committee	Meetings held quarterly and as needed.	Shari'ah application and governance in EI.
Investors	Group Investor Relations Team and Financial Information section on EI's website.	Financial and non-financial performance.
Customers	Voice of Customers' satisfaction surveys, ESG report.	Exceptional customer experience, innovation, privacy.
Suppliers	Tenders and request for proposals, ESG report.	Fair supplier selection and partnership.
Local Community	Partnerships with community organisations, ESG report.	Empowering local communities.
Government	Compliance with the UAE Central Bank, Dubai Financial Services Authority and other regula-tors' directives. Alignment with the government's vision and strategic objectives. ESG report.	Creating long-term socio-economic impact.
Environmental Organisations	Local and international collaborations and dia-logue. ESG report.	Emissions, climate and environmental impact.
Media	Radio/TV interviews, daily market commentary, weekly and monthly newsletters and press re-leases. ESG report.	Products, services, cyber security.

For more information about the Group's updated Materiality Analysis, please refer to the [2022 ESG Report of ENBD Group](). Alongside materiality analysis, we engage with diverse stakeholders on an ongoing basis, as summarised below.

Contributing to Society

Our commitment to delivering responsible and innovative products and services to individuals and small and medium-sized enterprises (SMEs) across the UAE, combined with our investment in regional talent and community development, is testimony to our social responsibility. This stems from our position as one of the UAE's leading financial institutions supporting socio-economic growth.

Responsible and Sustainable Investing

Our products and services, digitalisation and sustainable finance offerings are aligned with global best practice. Product suites are designed based on SME client feedback and key business priorities, with propositions reviewed periodically through benchmarking and client surveys.

ENBD Group Sustainable Investment Framework

As part of the ENBD Group, we recognise the influence we can have by offering sustainable products to our customers, as well as the part we play in developing processes to be more sustainable. The Group Wealth Management and Sustainable Investment Framework is created with this objective in mind.

Phase 1 - Three ESG categories across instruments

Average
The quality screening for selecting all our recommended instruments implies no outright contradiction with sustainability goals, however no factual elements supports an explicit sustainability qualification.

This category includes all our recommended instruments which are not in the two others.

Aware
The investment includes sustainable attributes and elements of alignment with Sustainable Development Goals, proven by factual elements (ESG rating policy, cocommitments, initiatives...)

This category relies on specific criteria for each type of instruments (see below).

Engaged
The investment includes an explicit sustainability target which may be as important as the expected financial return. This investment targets a "double return": financial and extra financial.

Investments in this category are explicitly selected by the underlying specialists which a judgemental opinion on top of factual criteria.

The selection process for all of advised investments - bonds, stocks, and other products - includes sustainability considerations. Regarding the latter, the Group's open architecture fund carefully tracks the sustainability strategy on two fronts: the asset management firm and the investing procedure for the particular products under consideration. All newly onboarded fund strategies are managed by signatories to the UN Principles for Responsible Investment. Approximately half of Group Focus list products are explicitly sustainable, with high ESG standards and thematic selections. Thematic and regional equities, global and regional fixed income, and multi asset funds are just a few of the categories where products are either ESG enhanced or focused.

Find out more about in the ENBD Group ESG Report

Sustainable Innovation at Emirates Islamic

In line with the Bank's Vision to be the most innovative Shari'ah-compliant bank for our customers, people, and communities, in 2022 we further leveraged intellectual and technological assets to revolutionise the digitisation of banking services in the UAE. These innovations meet individual and SME customer demands for digital products, while also delivering positive environmental and social impacts. For example:

An enhanced version
An enhanced version of the Bank's Mobile App was launched to deliver a new standard of excellence to customers.

Double-digit growth
in the adoption of business ONLINE platform with a subscription rate of 63% in 2022.

An enhanced version
An enhanced version of the Bank's Mobile App was launched to deliver a new standard of excellence to customers.

EI's credit cards business has migrated to QR codes based digital welcome packs and SOCs for all cards,
saving paper by at least 50% in the process

Kunooz Savings Account, one of the most popular saving schemes in the UAE
rewards winners with Tesla vehicles,
thereby promoting sustainable products and services.

Promoting the purchase
of electric vehicles with special pricing on financing.

Paperless green savings
with the "e-savings Account" which is available exclusively through online and mobile banking.

Promote the uptake
of mobile wallets, including Apple Pay, Google Pay and Samsung Pay, for our cardholders with the aim of limiting the use of paper or plastic cards.

Key Performance Indicators (KPIs)

Helping SMEs across the UAE Prosper

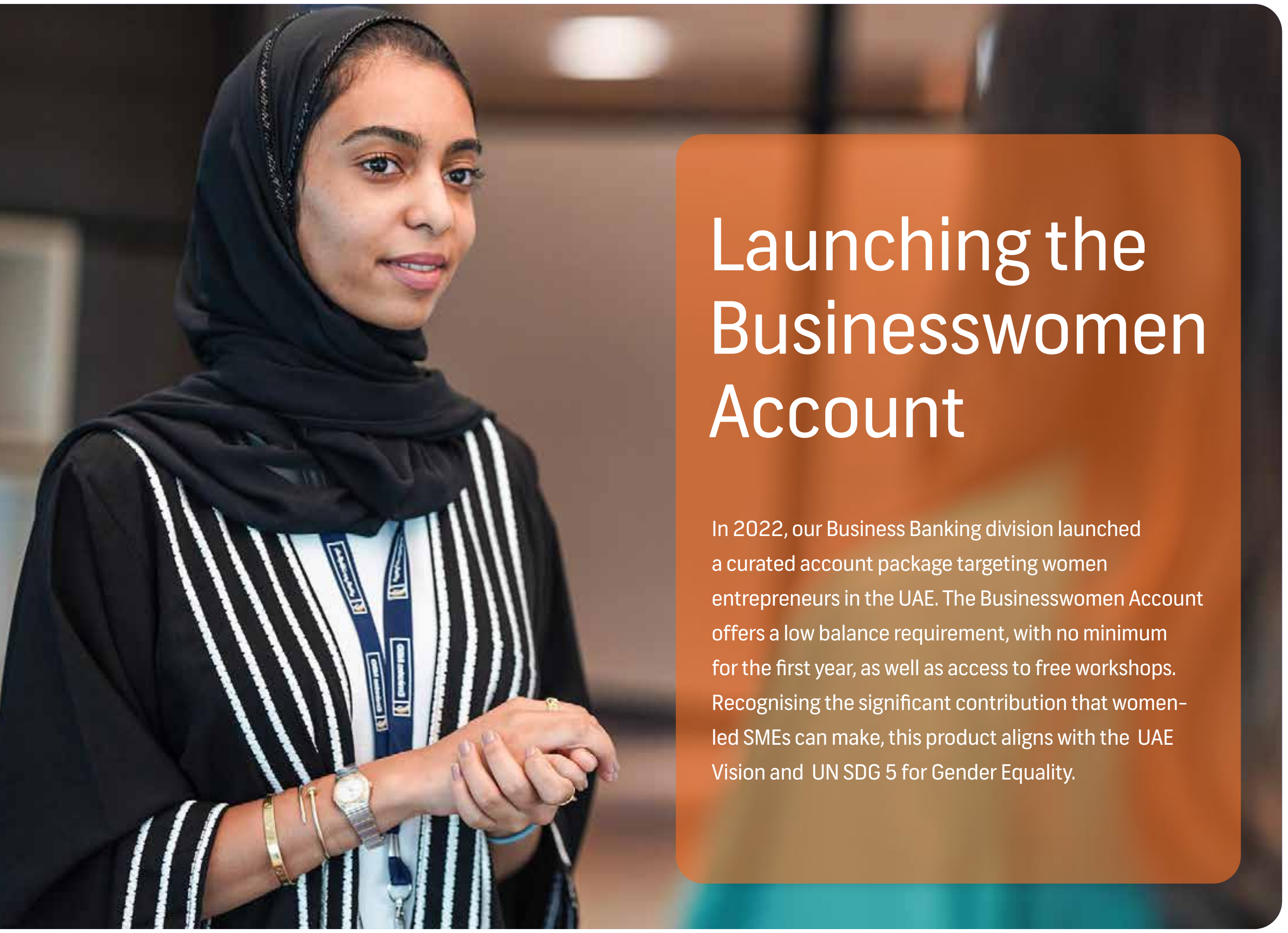
We are committed to accelerating SME development and diversification; in turn contributing to the UAE Vision to increase its ranking on the Global Entrepreneurship Indicator and to enhance SME contribution to non-oil gross domestic product. We encourage and facilitate a wide array of responsible financing by incentivising business growth across renewable energy, low carbon, clean technology, waste management, community development, infrastructure and more. In 2022, our Business Banking division:

Enhanced
its ESG product suite.

Launched
Businesswomen and Emirati accounts for female and UAE national entrepreneurs (see below).

Provided
training on topics such as creating opportunities, and effectively using online channels for business development.

Delivered
on a Memorandum of Understanding with the Emirates Development Bank to develop the SME ecosystem and economic output in the UAE.



Launching the Businesswomen Account

In 2022, our Business Banking division launched a curated account package targeting women entrepreneurs in the UAE. The Businesswomen Account offers a low balance requirement, with no minimum for the first year, as well as access to free workshops. Recognising the significant contribution that women-led SMEs can make, this product aligns with the UAE Vision and UN SDG 5 for Gender Equality.

Shari'ah Compliance

Shari'ah-compliant financing solutions have been linked to financial stability and provide mutuality and sustainability. ESG risks and opportunities are integrated into lending and investment screening practices through regular Shari'ah audits. Non-Shari'ah financing also excludes companies in activities such as alcohol or gambling. We may not charge customers additional profit in case of delays or where penal profit is redistributed for charity causes.

For more details about EI's financial information, please refer to our **2022 Annual Report.**

Financial Literacy and Inclusion

As a responsible business, we fully respect the rights of customers as defined in Article (123) of the Financial Inclusion, Decretal Federal Law No. (14) of 2018. This is enshrined in our new Financial Inclusion policy, which was approved by the Board Risk Committee in 2022. The policy defines an annual review program, alongside ad hoc updates triggered by internal, legal or regulatory developments and a formal review at least every three years.

In line with Federal Law 29 of 2006, we ensure all consumers, including vulnerable people, are treated fairly, equally and respectfully. For example, we offer products such as pay roll cards for low-income customers, as well as instalment deferral options for those facing financial challenges related to COVID-19 via the Targeted Economic Support Scheme . In 2022, we waived debts amounting to approximately AED 1.1 million for 30 UAE national customers, as part of the UAE's Non-performing Debt Relief Fund.

AED 1.1 million debt waiver for UAE national customers.

Customer-facing employees undergo e-learning programmes on vulnerable groups, blue collar workers, older people and those who are illiterate. Meanwhile, **our website** includes affordability calculators, articles and financial tips for customers.. In 2022, we welcomed 25 students to a workshop on the basics of Islamic banking and we posted financial literacy tips on Facebook, Twitter and Instagram, achieving more than 9,000 likes, shares and comments.

More than two-thirds of branches are disability-friendly

Respecting the rights of People with Disabilities

In line with Federal Law No. (29) of 2006, we respect the rights of anyone with special needs, including those with disabilities. In 2022, we enhanced our financial inclusion policies to better reflect this, while delivering mandatory training for frontline employees, including American sign language and disability etiquette. We also updated our website to comply with Web Content Accessibility Guidelines. We have products and processes in place to meet the needs of customers who are unable to read or write.

Under the Group's #TogetherLimitless programme, 26 bank branches across Dubai, Sharjah and Ajman are disability-friendly, with ramps with handrails, low height counters, tactile floor indicators and Braille signage. Our aim is to apply these features to all new, relocated or renovated branch across any Emirate in the UAE, wherever possible.

Excellence in Customer Experience

Driven by the two core values of 'customer focus' and 'service excellence', our Customer Experience Unit is dedicated to innovations in our engagement methods. From helpful interactions in our branches or through our call centres and relationship managers, to rapid online and mobile support and engaging social or mainstream media campaigns – customers can connect with us anytime, anywhere.

Enhanced training and engagement

- Customer Service Excellence Certification for frontline employees
- Tanfeeth Roadshow for more than 1,200 frontline employees (achieving a 96% satisfaction rate)
- Expanded 'branch huddle' documents (achieving more than 95% satisfaction rates among employees participating)
- Customer experience app (Axonify) extended to Senior Leaders
- Branch recognition system introduced Customer Experience Month included additional training

Governance and measurement

- Customer Experience Committee formed to synchronise with our vision
- Mystery shopping expanded from branches to call centres
- A Customer Happiness Score was added to our **Customer Relationship Management Policy**

Innovation

- Automated surveys introduced in branches and call centres.
- WeConnect introduced to test products and services
- CX Academy online training platform launched

Treating Customers Fairly

The Group Code of Fair Treatment reflects our daily actions in accordance with our vision, purpose, and values. We promise to make sure the goods and services we offer live up to expectations. We also comply with Consumer Protection Regulation and standards of the Central Bank of the UAE- find out more on page X.

Our Service Promise Charter

1. To listen attentively and understand your query
2. To take complete ownership of your query
3. To clearly communicate the outcome of your query

Introducing customer experience values in 2022

- Drive championship
- Enterprising championship

.

Listening to our Customers

Our purpose is to create opportunities for our customers to prosper. This means listening to customer needs and feedback and responding with courtesy, ownership and clarity. We do this through a number of ways, as shown below.

Relationship Surveys

A quarterly outbound calling exercise executed by IPSOS to measure the overall customer satisfaction and Net Promoter Score (NPS).

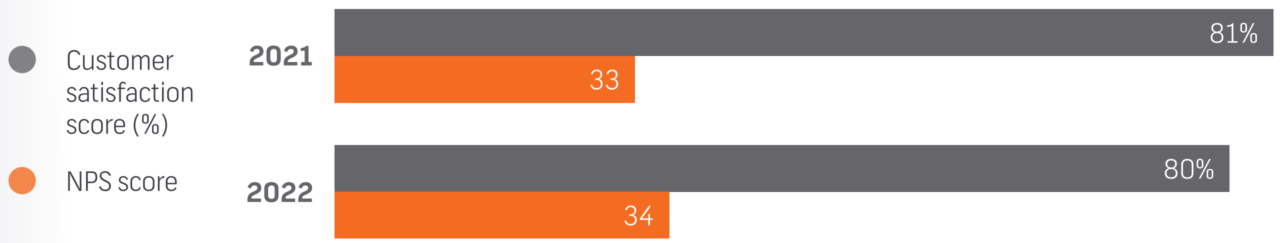
Transactional Surveys

A monthly outbound calling exercise executed by IPSOS to measure the channel satisfaction based on the customer's touchpoint with that channel.

Episodic Satisfaction Surveys

Automated emails designed and managed by the bank internal campaign management system that measures the customer satisfaction on the a service provided by the bank (ex: Service Request fulfilment survey, digital onboarding Survey)

Over the last two years, we have seen consistently high satisfaction net promoter (NPS) scores, as shown in the table.



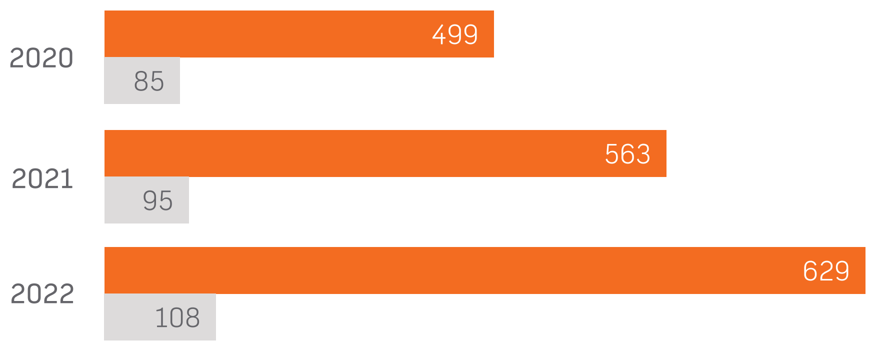
A Great Place to Work

Delivering on our Purpose requires us to create opportunities for our people, as well as customers and communities. It is why we invest in creating inclusive workplaces that enable employees to thrive. From excellent training and development opportunities; to fair reward, recognition and protecting health and wellbeing – we are committed to building the Emirates Islamic family in line with our values.

Diversity and Inclusion

We are proud of the different perspectives and innovative ideas that our growing team of nearly 1,700 people bring to EI. In return, we promise to engage, develop and reward diverse talent. We are dedicated to supporting women in the workforce in a holistic manner, through practices ranging from encouraging new mothers to re-join the workforce, training programmes for female employees, as well as specific clubs and activities designed to make the workplace diverse and welcoming. In 2022, we employed an additional 66 women on a full-time basis, including 13 middle managers.

Female Employment by Category (Numbers)



Female full-time employees   Female middle managers

See our detailed performance data on pages X to X.

Please refer to the ENBD Group ESG Report for further detail on how we engage, reward and take care of employees.

Emiratisation

Our approach to recruiting and retaining Emirati talent involves collaborating with colleges and universities to hire local talent, creating bespoke training programmes and developing career progression mapping. In 2022, we employed 622 national employees – 37.7% of our workforce.

Our National Leadership Programme continued to train Emirati employees for the roles of Executive Committee (and N-1 level Unit Heads). This initiative is just one example of our commitment to the UAE Centennial 2071's agenda to develop Emirati human resources. It also supports our Board aspirations to nationalise executive level jobs in the immediate term.

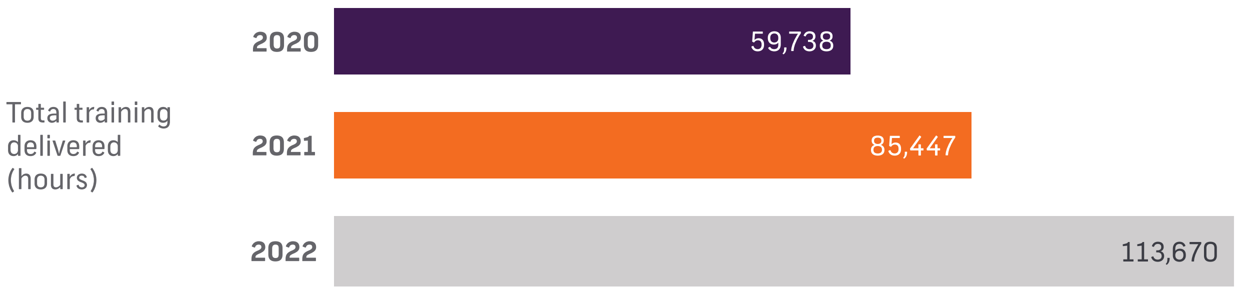
Emiratisation in the Workforce (Number)

Disability Inclusion

We embrace those with disabilities as valued members of our team and in 2022, 10 employees identified as disabled. Our training includes workplace inclusion workshops based on rigorous research, as well as onboarding assistance and job coaching for selected candidates.

Talent Management

From recruitment to retirement, we are committed to supporting our employees to fulfil their potential. This is reflected in our investments in training and leadership development within the Bank, as well as our programmes for high school students and graduates. In 2022, total training hours increased by almost a third, as shown in the chart.



Finding our Future Leaders

With a long-term commercial plan to maximise influence in the UAE and beyond, we must nurture high-calibre individuals into leadership positions. An extraordinary performance record, combined with great leadership potential, is what we look for in our award-winning development opportunities that include online learning, mentorship, coaching and special projects. We now offer around 10 online learning platforms that span skills-based programmes, to academic courses.

Internships

Our internship programme aims to provide students with challenging but fulfilling tasks within their field of study or career interest, alongside exposure to day-to-day business operations of a highly professional environment. In 2022, 39 interns held a position with us, more than half of whom were women and 74% being UAE nationals.

74% of interns were UAE nationals

UAE National Integrated Learning Journey (UNILJ) and Al Mustaqbal

The UNILJ is a personalised learning journey for new-to-role UAE Nationals. Each learning journey is approximately six-weeks long depending on the learning need. Al Mustaqbal is a cohort-based learning programme following the methodology of UNILJ but designed for specific roles such as Service Ambassadors. Participants are high-school graduates. In 2022, we welcomed 113 UAE nationals to the programmes.

Taking Care of our People

As well as excellent training and development opportunities, we offer a performance pay scheme that rewards bonus, incentives and recognition to employees based on their individual and their unit's performance. All employees complete these three stages during their annual performance review. Total Reward (fixed and variable pay) is influenced by role accountabilities, market benchmarks and performance delivery.

Recognising Employees who Go the Extra Mile

Our Going the Extra Mile Recognition Programme is designed to inspire employees and teams to reinforce our Values. It includes Bravo, our online employee to employee appreciation portal that promotes our core value of 'collaboration', as well as Milestone Long Service Awards for those who have shown loyalty, commitment and contribution over many years. Finally, Souwti, Arabic for My Voice, embraces the views of our workforce on areas that have a substantial impact on them and that may require focused attention and action.

32 employees received GEM awards

619 Bravo peer recognitions

132 received long-service awards

Health and Wellbeing

Our flexible work initiative means employees can work remotely from anywhere in the UAE, if the role allows it and the manager approves. Further employee benefits include life and health insurance, wellness and health programmes (see page X), relocation support, parental and adoption leave, longer leave days for those with disabilities, paid leave for volunteering, exams, Haj or military service, retirement / pension plans and end-of-service benefits.

We want our employees to enjoy full lives with good physical and mental health. It is why we offer TruDoc services without coinsurance, lab tests and biometric screening at our wellness centre and consultation rooms, health kiosks and on-site free flu shots, among many other benefits.

Wellness Champions lead and assist in the implementation of health and wellness initiatives for their respective business units. Wellness communications are shared across the Group on a monthly/bimonthly basis to support the health and wellbeing of our employees.

A dedicated free mental wellbeing hotline helps our employees to overcome stress, or any issues related to mental wellbeing and throughout the month of Ramadan, our social media platforms deliver wellbeing suggestions on issues including mental health, hydration, and spiritual productivity. All employees were invited to a Men's Health and Diabetes Session, where we covered preventative care and lifesaving advice related to Men's Health.

Community Investment

Our Creating Shared Value framework to enrich the lives of our community neighbours, as shown below.

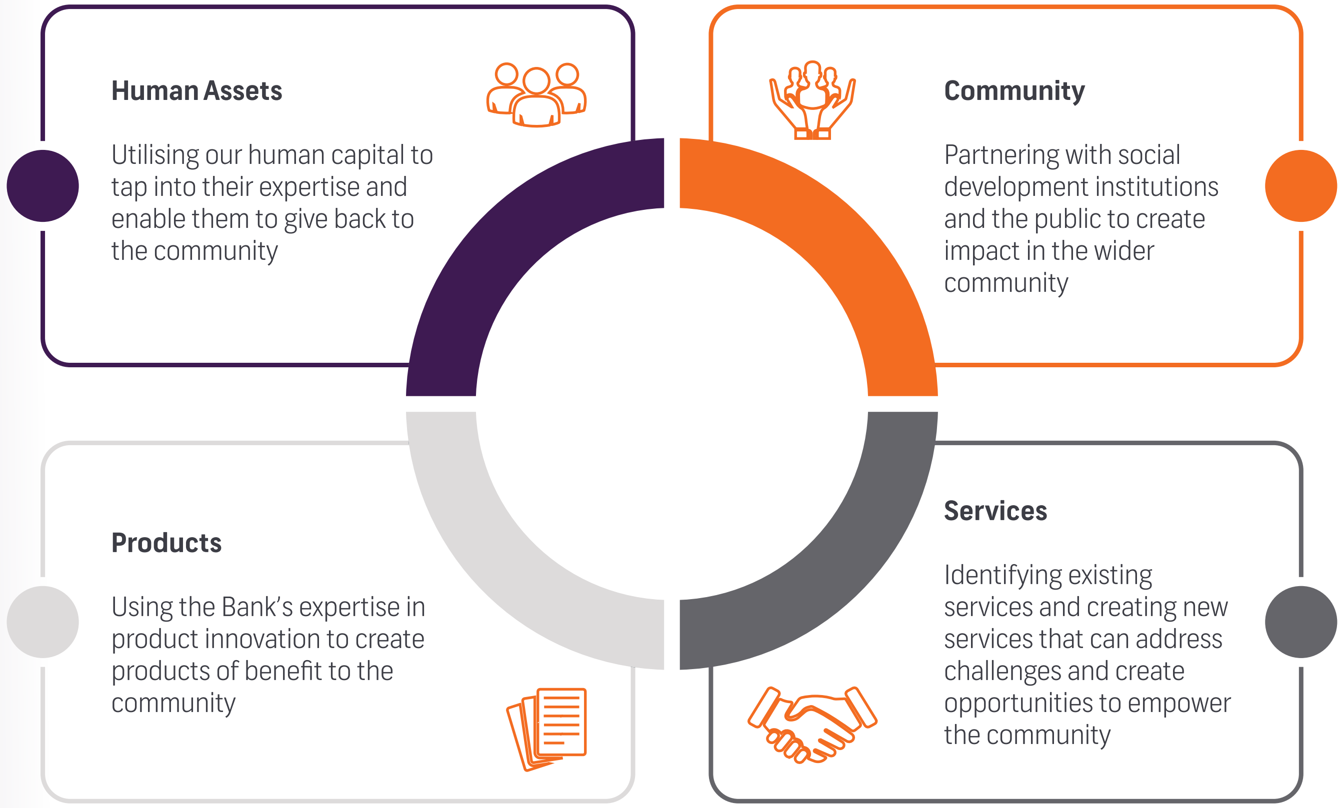
Key Drivers
- United Nations Sustainable Development Goals
- UAE Sustainable Finance Framework 2021-2030
- Emirates NBD Vision, Purpose,Values

Focus Areas
- Financial Wellness
- Environmental
- Diversity and Inclusion
- Community Outreach

Implementation Mechanisms
- Volunteering
- Programme Development
- Partnerships and Collaboration
- Communication and Engagement

Impact Measurement
- Social Return on Investment (SROI)
- Stakeholder Engagement
- Monitoring and Evaluation

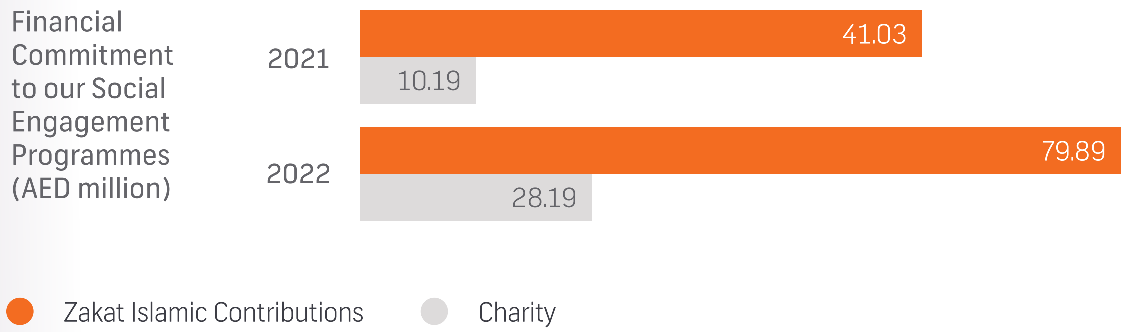
In every focus area of the Social Engagement Framework, we activate the following four elements to create multi-dimensional impact:



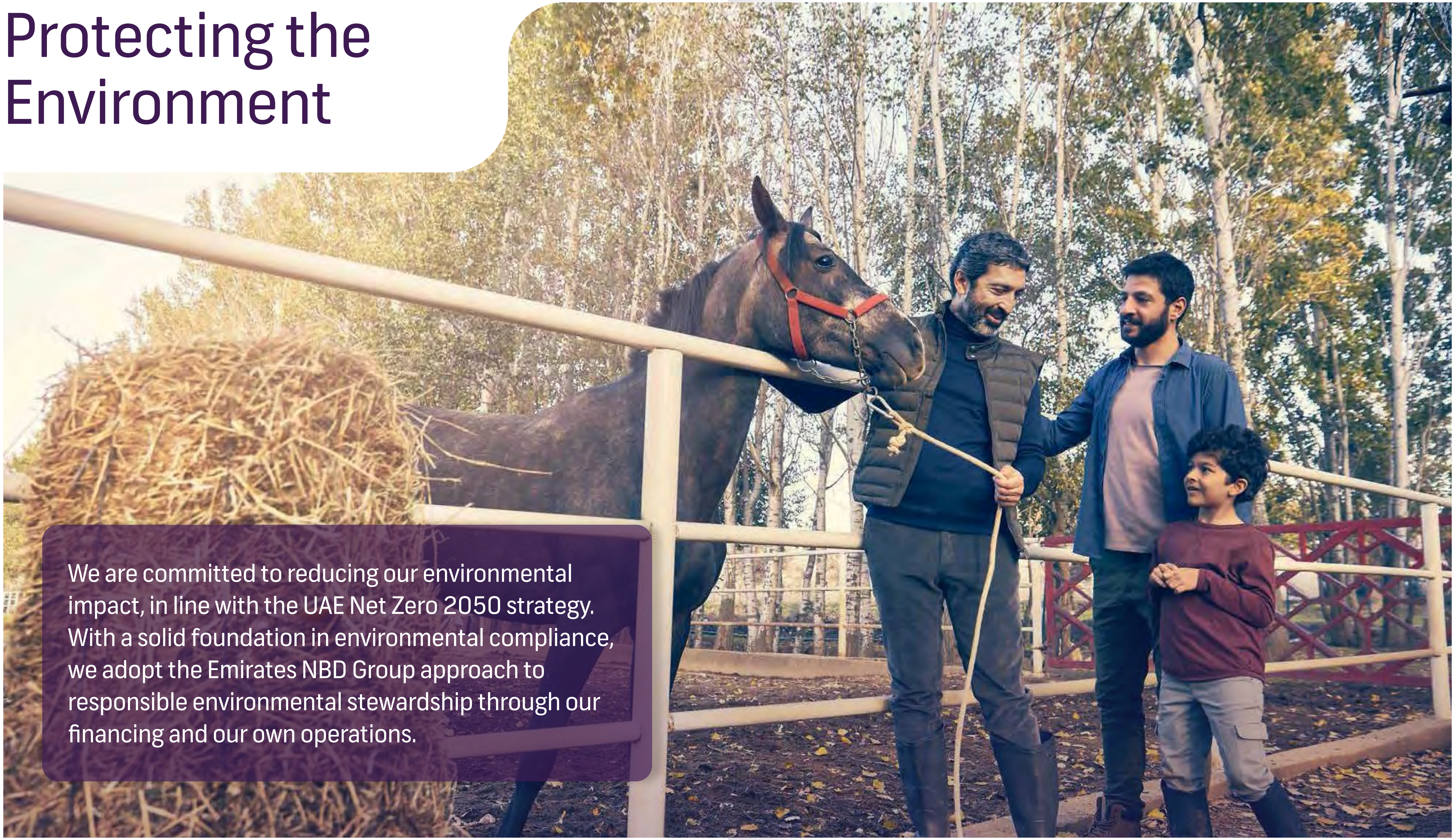
Philanthropy

Philanthropy is a vital part of our purpose of creating opportunities to prosper and is our demonstration of sharing our good fortune with our fellow citizens and communities. Through our philanthropic spirit, we position ourselves as a socially responsible institution, validate our dedication to growing together with our surroundings, and fulfil our public duties.

The chart below showcases our social contributions in 2022 in each focus area. In total, we distributed almost AED 109 million across a range of social causes, with the largest grants being allocated to Islamic contributions, followed by health and wellness.



Protecting the Environment



We are committed to reducing our environmental impact, in line with the UAE Net Zero 2050 strategy. With a solid foundation in environmental compliance, we adopt the Emirates NBD Group approach to responsible environmental stewardship through our financing and our own operations.

Group-Wide Approach

As Emirates Islamic, we are committed to running our operations in ways that are equitable, efficient, and progressive in a time of accelerated resource depletion. This includes minimising any impacts that our operations have. We fully support the UAE's Net Zero 2050 policy and 2030 target to reduce greenhouse gas (GHG) emissions to 31% of a business-as-usual scenario.

We have an excellent track record of adhering to environmental regulations, and the Bank has never faced fines or other non-financial penalties for failing to do so. We hold an ISO 14001:2015 certification for our environmental management systems, which cover 100% of our operations in the UAE.

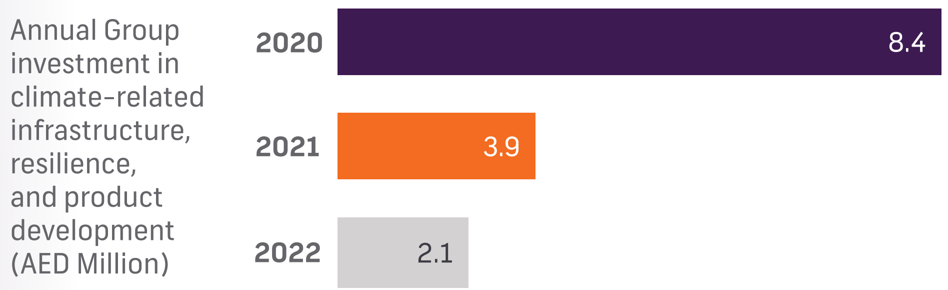
Emirates NBD Environmental Goals and Targets 2023

Objective	Performance target
• Year on year CO2 emission emissions	• Reduction of CO2 emissions by 10%
• Reduced water consumption per member of staff	• Reduction of water consumption by 5% per staff member
• Improved ratio of diverted waste to general waste	• Ratio of diverted waste to general waste ???
• To develop potential renewable energy strategies • To develop an Emirates NBD Group International Sustainability consultancy solutions committee • Developing carbon offset projects where possible	• To implement across all aspects of the business and cover all members of staff

Find out more about our approach in the ENBD ESG Report.

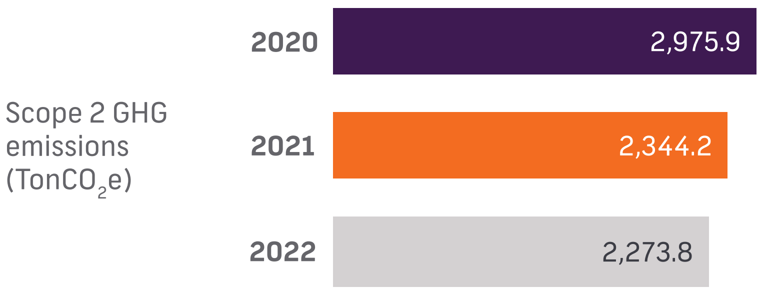
Energy and GHG Emissions

The Group's three main areas of impact and potential for improved efficiencies in relation to energy use are energy consumption, transport fuel and GHGs. Recognising that our assets and customers will be exposed to a changing climate, we continue to invest in resilient infrastructure and product development.



In 2022, our indirect (electricity) energy consumption approximately declined by 19% compared to 2020. This is testament to the control and efficiency mechanisms we have in place, such as motion sensors, building management systems and energy-efficient equipment such as chillers, chilled water pumps and air handling units.

We track carbon dioxide (CO2) emissions from our operations each year. As a Group, we have committed to reducing carbon emissions by 30% by 2030. In 2022, our own indirect emissions declined by 23% compared to 2020.



Transport and Fuel Consumption

We partner with the Emirates National Oil Company to manage and monitor fleet fuel consumption. We encourage our staff to use company transport rather than their own vehicles. To meet staff commuting needs, the Group Transportation Unit frequently examines route optimisation. In addition to helping the environment, this offers a dependable and practical alternative to private commuting.

For more detailed information, see our Group **ESG Report.**

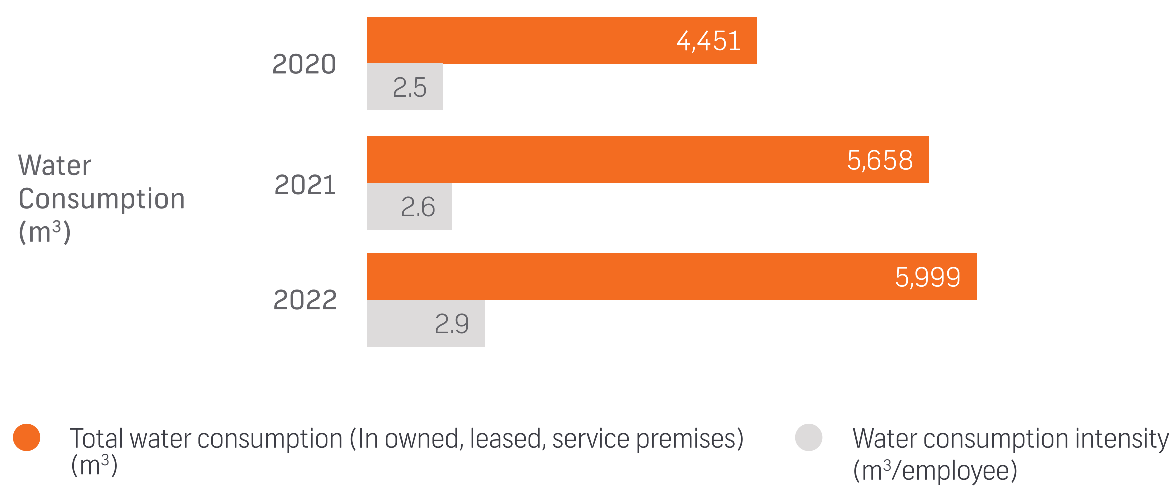
Water and Waste

We are conscious of the need to be efficient and responsible in our water usage and are committed to adopting sustainable water management practices, while also tackling water insecurity through our business operations. This philosophy is fully in line with the UAE's Water Security Strategy 2036 and Sustainable Development Goals.

As a Group, we have:

1. Installed water aerators
2. Water tank leakage sensors, and
3. Reduced water pressure in water taps without negatively affecting end users, to improve overall water management across the Group.

As shown on below, our water consumption (absolute and per capita) has slightly increased since 2020, while the intensity rate remained stable over the last three years.



Resources and Waste

We understand that increasing staff awareness of the need for recycling and waste minimisation is necessary for the efficient management of resources. We can track waste production, recycling, and energy use thanks to our operational control procedures.

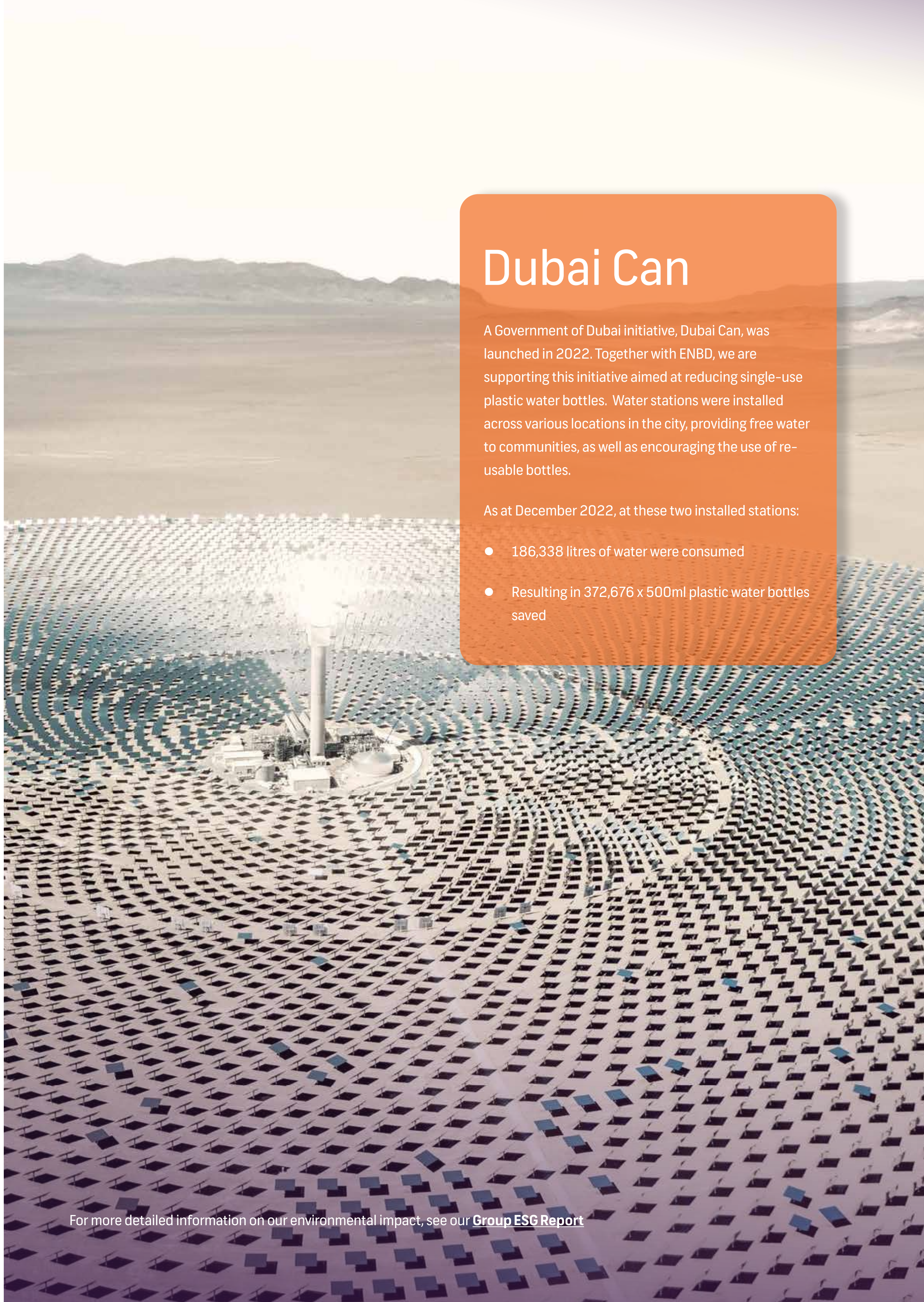
To encourage waste reduction, reuse, and recycling, we have conducted awareness-raising campaigns. As a bank, our waste management approach relates primarily to office related impacts with a focus on paper and plastics waste.

Within Group procurement we have implemented various initiatives to reduce the printing of paper. These include our contracts and computer system generated files being available via DocuSign for all respective parties. This will eliminate the printing of contracts. Furthermore, as part of the Group's Go Paperless programme, all service providers must send invoices as soft copies.

SayNoToPlastic Initiative

To promote a culture free of single-use plastics, we supported the Group's #saynottoplastic programme. This involved switching to reusable water bottles, ceasing ordering plastic water bottles through procurement and creating a logo for #saynottoplastic. We also collected plastic bottles in a recycling bin provided by DGrade. The recycled fabric created from the collected bottles will be used by DGrade to make reusable drawstring bags for our support workers.

In the last three years, ENBD Group has achieved a cumulative reduction in plastic use/waste of 161 Kgs.



Dubai Can

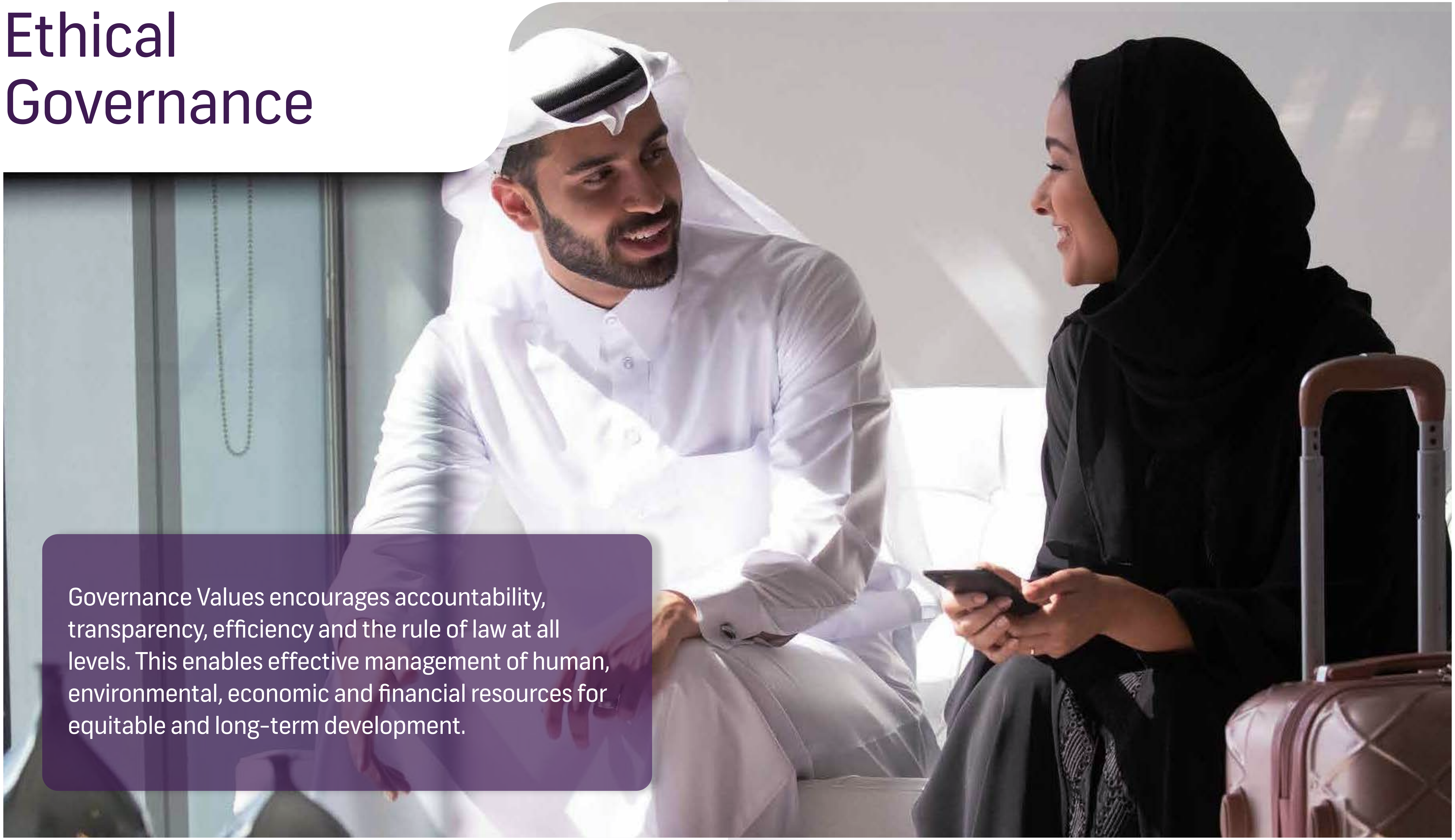
A Government of Dubai initiative, Dubai Can, was launched in 2022. Together with ENBD, we are supporting this initiative aimed at reducing single-use plastic water bottles. Water stations were installed across various locations in the city, providing free water to communities, as well as encouraging the use of re-usable bottles.

As at December 2022, at these two installed stations:

- 186,338 litres of water were consumed
- Resulting in 372,676 x 500ml plastic water bottles saved

For more detailed information on our environmental impact, see our **Group ESG Report**

Ethical Governance



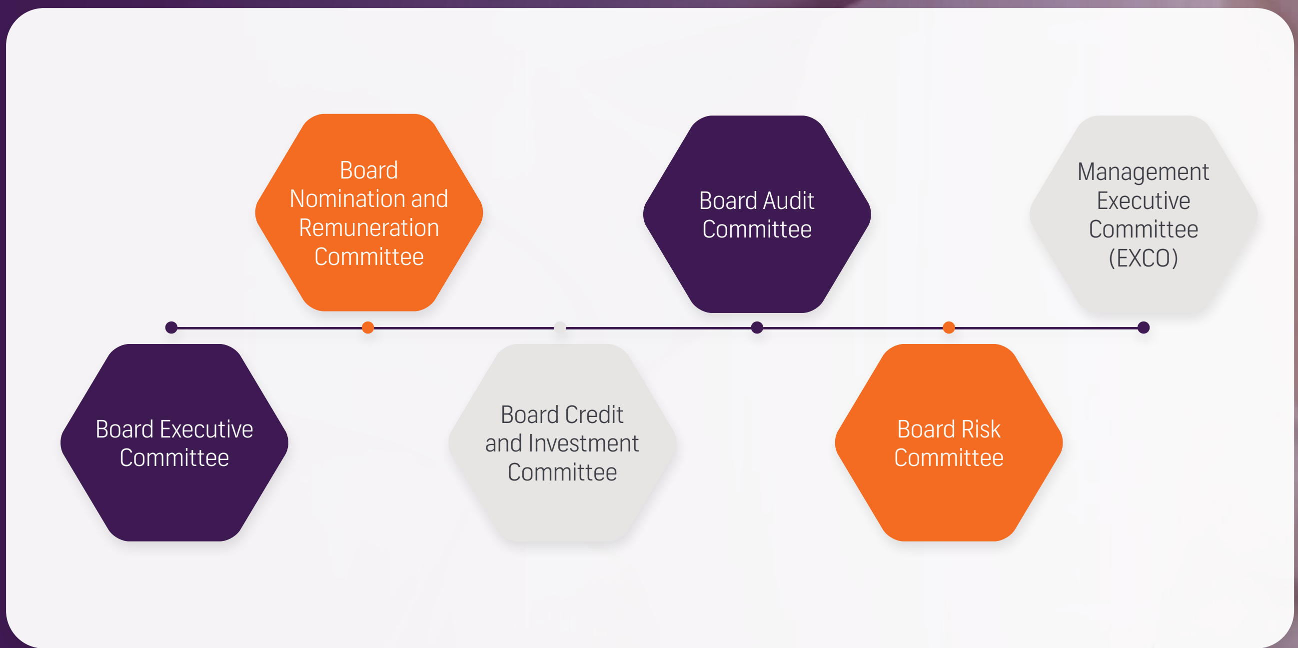
Governance Values encourages accountability, transparency, efficiency and the rule of law at all levels. This enables effective management of human, environmental, economic and financial resources for equitable and long-term development.

Accountability

The EI Board of Directors is responsible for the overall direction, supervision and control of the bank. The Board's mandate includes the overall strategy and oversight of the corporate structure, financial reporting, internal controls and risk management policies. It also includes approval of the Annual Report as well as corporate dividends.

The Emirates Islamic Governance Manual is supplemented by a Board Charter ("Emirates Islamic Board Charter") which details the protocols and policies of the Board, and specific Board policies related to conflicts of interest, fitness and propriety, remuneration and performance evaluation.

For more detailed information, please refer to the Corporate Governance Report 2022.



The Islamic Shari'ah Supervisory Committee (ISSC)

All transactions, including Zakat, and all products that we offer are strictly Shari'ah-compliant and in line with the Accounting and Auditing Organization for Islamic Financial Institutions. Before either the execution of a transaction or the launch of a new product, the terms of the transaction or the product (as applicable) are presented to the ISSC for its approval.

Allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by ISSC and in accordance with the Shari'ah Principles and Rulings. The Committee is an independent body of Shari'ah scholars that is appointed by the General Assembly. Its key task is to supervise the application of different aspects of Shari'ah within the company and to ensure (through the Internal Shari'ah Control department and Internal Shari'ah Audit department) that all transactions are undertaken in strict compliance with Shari'ah. This includes ensuring that all businesses, activities, products, services, contracts, documents and codes of conduct are in compliance. All resolutions and pronouncements are binding on the management and the directors of Emirates Islamic. It meets periodically, as and when required and issues an annual report.

Our internal Shari'ah Control Division provides consultation to divisions and departments based on the ISSC's fatwas and resolutions of aspects related to financial products and services. Allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by ISSC and in accordance with the Shari'ah Principles and Rulings.

All employees receive Shari'ah induction training session covering Shari'ah fundamentals and Islamic values, with mandatory e-Learning modules ongoing, as well as an on-demand training programme in Islamic finance principles. Beyond the company, we participate in wider Shari'ah awareness through public lecturers at universities and colleges.

Code of Conduct

The Code of Conduct establishes the minimum acceptable standards of professionalism and personal conduct that the Bank expects from employees, both inside and outside our premises, to maintain the Bank's reputation. All employees are obligated to preserve the bank's interests and reputation; thus, they must report any unusual incidents, suspicious occurrences, and/or actual, planned, or potential illegal or unethical behaviour that may directly or indirectly impact the bank.

Fraud, bribery, harassment, discrimination, intimidation, favouritism, violations of law and/or Group policies and misconduct and malpractice are examples of such instances. Employees must report all incidences to the concerned Unit Manager and the Fraud Prevention and Investigation unit. Every employee must read and accept the Code of Conduct at least once a year, or if it is updated or modified. In 2022, Anti-Bribery and Corruption training was rolled out to 732 employees. In 2022, one case of bribery was reported and fully investigated, resulting in a final warning.

See our detailed performance data on pages X to X. For more detailed information, please refer to the Corporate Governance Report 2022.

Consumer Protection

We comply with Consumer Protection Regulation and standards of the Central Bank of the UAE. As part of our commitment, in 2022 we:

- strengthened governance and oversight over the design, promotion and sale of financial products;
- delivered marketing emails on fraud awareness, reaching approximately 10 million.
- promoted responsible financing practices to protect consumers from becoming over-indebted;
- ensured effective and timely disclosure practices, providing consumers with access to the right information at the right time to make informed decisions;
- addressed unreasonable barriers to fair competition and consumer choice;
- implemented clear mechanisms for redressal of consumer complaints (see page X);
- improved consumer knowledge and ability to assess financial services; and
- promoted financial inclusion.

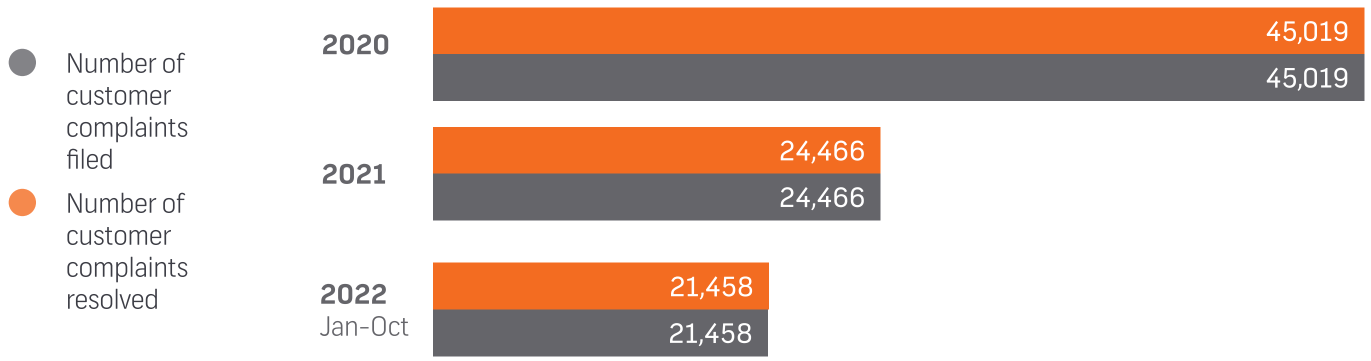
Currently, we are implementing a series of initiatives to ensure compliance with regulations for Licensed Financial Institutions. Key steps in 2022 included:

- publishing a Key Facts Statements for all products and services, highlighting important features, benefits, applicable fees and charges;
- enhancing branch signages to incorporate required changes;
- revising our schedule of fees to provide visibility on third-party charges;
- adding cooling-off periods for products, where applicable and updated terms and conditions to reflect this;
- ensuring customers will have the ability to easily opt out of marketing;
- revising all customer-facing documents with enhanced disclosure and availability in Arabic;
- strengthening marketing and advertising guidelines in line with regulation;
- adding more detail to account, card and new finance statements;
- extending 60-day notice periods to inform customers if important terms or processes have changed;
- revising debt collection protocols with more flexibility and debt counselling;
- reinforcing data privacy related controls covering collection, storing, usage and protection of personal data;
- reviewing sales incentive programmes to promote responsible business and market conduct and prevent mis-selling; and
- training employees, including authorized agents, in enhanced sales and service processes and other aspects of the regulation, along with certification, where applicable.

Complaints Procedures

When a customer raises a complaint, our dedicated team works closely with all relevant departments to resolve it within five working days. A reference number and expected resolution time is generated in order to assist customers in tracking progress If we are unable to provide a full and satisfactory resolution, the customer has the right to refer the complaint to the Central Bank of UAE.

Customers can raise complaints in numerous ways: via branches, call centres, our online/mobile banking platforms, relationship managers, social media, the Central Bank of UAE or the UAE media. During the year, we enhanced our complaints management processes with a dedicated customer enquiry line, faster response times, direct supervision and management of complains and Head Office walk-ins. In 2022, we continued to see a significant reduction in complaints made and 100% of those made were resolved.



Security in Digital Banking

Our dedicated Digital team oversees digital processes and policies, working closely with respective stakeholders and the bank's regulatory teams, such as Compliance, Shari'ah and Governance to ensure all processes are thoroughly reviewed. As part of 2023 strategy, a structured governance framework will be put in place to ensure all aspects are covered.

We have dedicated a significant amount of our AED 1 billion digital transformation investment toward strengthening the protective layers of our infrastructure, digital processes and analytics, while enhancing safety and security programmes, products, and solutions. Our Group Operational Risk Unit oversees alignment with cyber security and business continuity protocols. We follow the US National Institute of Standards and Technology Framework approach, wherein a series of security mechanisms and controls are layered throughout the network to protect confidentiality, integrity and availability of the network and the data within. A layered defence helps us reduce vulnerabilities, contain threats, and mitigate risk. We have a layered information security structure, managed by security professionals within Group Information Security Office, Group Cyber Risk and Group Internal Audit.

All key security decisions affecting customer data privacy and security are taken jointly by a group of members belonging to these units. Additionally, while such security controls help prevent security incidents, attackers can manipulate customers; hence, we conduct a lot of Cyber Security awareness sessions, not just for our internal users, but also for our customers.

Business Continuity

The Business Continuity Management (BCM) team within Group Operational Risk unit is responsible for managing and monitoring BCM process and programme across the Group. It oversees the development and implementation of the Group's business continuity and crisis management framework, governance structure, and procedures in order to safeguard the Group's people, processes, and infrastructure. It assists all business, support, and control units in developing, testing, and updating business continuity plans, reports risks and issues to all stakeholders, and manages the timely and effective delivery of BCM components across IT, Procurement, and other units.

Whistleblowing

We have the following mechanisms in place to moderate unlawful acts or acts of discrimination:

- Intranet portal allows all employees to file grievances confidentially and choose an escalation path until their issue is resolved
- A grievance document is available to all employees and is updated regularly

Our Whistleblower Policy permits employees to report actual or suspected fraud incidents, such as malpractice, misconduct, and corruption, without fear of retaliation or persecution, in good faith. Minor grievances should be resolved within one week; other grievances should be resolved within two weeks. A formal grievance is required to be submitted within one month from the date of occurrence. If a grievance remains unresolved or was not resolved to the employees' satisfaction, the employee may choose to refer the matter to the next level of management stating the reasons for referral. During this reporting period, no grievances were filed.

Sustainable Procurement

We consider sustainability aspects in procurement decisions along with commercial elements. The objective of our Sustainable Procurement Policy is to define the guidelines of the procurement practices with regards to Sustainable Procurement matters:

- Reduce our environmental impact by managing our procurement decisions
- Reduce our carbon footprint to ensure our environmental sustainability
- Wherever possible, minimise and conserve our natural resources
- Encourage suppliers and contractors to use cleaner technology and create goods that are less harmful to the environment
- Demonstrate leadership in our sustainable practices to the community and other stakeholders

We have established and maintained procedures to evaluate and select suppliers and contractors based on the below five areas and to monitor their processes and performance, where appropriate.

Data Disclosures

We are committed to report with transparency and rigour on our progress. In this chapter, we include detailed data covering our KPIs.

Contributing to Society Data

Customer Experience	2020	2021	2022
Customer satisfaction score (%)	N/A	81%	80%
NPS score	NA	33	34
Number of customer complaints filed	45,019	24,466	21,458
Number of customer complaints resolved	45,019	24,466	21,458
Online/mobile transactions	450,000	545,000	625,000

Workforce	2020	2021	2022
Total number of employees			
Full-time employees	1,722	1,518	1,669
Part-time employees	0	0	0
Permanent employees	1,404	1,514	1,663
Temporary employees	318	4	6

Employees by Gender	2020	2021	2022
Full-time employees by gender profile			
Female full-time employees	499	563	629
Male full-time employees	1,223	955	1,040
Part-time employees by gender profile			
Female permanent employees	0	0	0
Male permanent employees	0	0	0
Permanent employees by gender profile			
Female permanent employees	471	562	626
Male permanent employees	933	952	1,037

Workforce	2020	2021	2022
Temporary employees by gender profile			
Female permanent employees	28	1	3
Male permanent employees	290	3	3
Full-time employees in senior management			
emale	6	4	4
Male	19	20	19
Full-time employees in middle management			
emale	85	95	108
Male	256	246	286
Full-time employee staff (other levels)			
emale	408	464	517
Male	948	689	735
Age 18-30	327	353	395
Age 31-50	1,319	1,088	1,191
Age 51+	76	77	83
1.1. New Hires and Turnover			
New employee hires by gender			
emale	53	132	112
Male	105	150	158
Age 18-30	72	157	114
Age 31-50	82	123	153
Age 51+	4	2	3
Parental leave by gender			
Female	28	33	30
Male	44	46	42

Workforce	2020	2021	2022
Employees returning to work after parental leave	72	79	72
Total number of employees who left the company			
Full-time	374	164	146
Part-time	0	0	0
Senior management	0	2	2
Middle management	44	30	35
Non-management employees	330	132	109
Contract staff			
Age 18-30	75	36	35
Age 31-50	273	122	99
Age 51+	26	6	12
Percentage of employee turnover (voluntary and involuntary)	20%	11%	9%
Female	26	31	44
Male	87	101	70
Senior management	0	2	0
Middle management	14	24	30
Non-management employees	99	106	84
Contract staff			
Senior management			
Age 18-30	35	30	30
Age 31-50	76	100	81
Age 51+	2	2	3
Percentage of employee turnover (voluntary only)	6%	9%	7%

Employee nationality by country	2020	2021	2022
Africa	6	6	6
Arab	217	187	197
Egypt	170	109	124
GCC	9	8	10
India	454	317	345
Other Asia	22	24	23
Other Sub Cont.	50	47	54
Pakistan	267	185	204
Philippines	34	31	28
UAE	459	572	655
Western	34	32	23

Total training delivered	2020	2021	2022
Senior management employees	340	637	385
Middle management employees	6,048	16,251	13,855
Male employees	29,230	45,303	55,693
Female employees	30,509	40,144	57,977
Average training per employee (hours)			
Average employees	35	56	50
Male employees	25	46	36
Female employees	57	73	80
Senior management employees	20	25	15
Middle management employees	16	44	32

Ethical Governance Data

KPIs	2020	2021	2022	Target
Number of operations assessed for risk related to corruption	18	8	16*	21
Percentage of operations assessed for risk related to corruption	100%	100%	100%	100%
Number of corruption incidents	2	1	1	0
Total number of non-monetary sanctions	Nil	Nil	Nil	

Comments: * 2022 number is based on ORCA completion as of 20th Nov 2022.

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EMIRATES ISLAMIC