Commercial Bank of Dubai PSC

Group condensed consolidated interim financial statements

For the nine-month period ended 30 September 2023

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For the nine-month period ended 30 September 2023

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Independent Auditors' Report on Review of Group Condensed Consolidated Interim Financial Statements

To the Shareholders of Commercial Bank of Dubai PSC

Introduction

We have reviewed the accompanying 30 September 2023 Group condensed consolidated interim financial statements of Commercial Bank of Dubai PSC ("the Bank") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the Group condensed consolidated interim statement of financial position as at 30 September 2023;
- the Group condensed consolidated interim statements of profit or loss for the three-month and nine-month periods ended 30 September 2023;
- the Group condensed consolidated interim statements of profit or loss and other comprehensive income for three-month and nine-month periods ended 30 September 2023;
- the Group condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2023;
- the Group condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2023; and
- notes to the Group condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these Group condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these Group condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 Group condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Dubai, United Arab Emirates
Date: 25 October 2023

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of financial position

As at 30 September 2023

	Notes	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
ASSETS			
Cash and balances with Central Bank	*7*	**15,324,929**	15,760,429
Due from banks, net	*8*	**2,849,731**	3,766,507
Loans and advances and Islamic financing, net	*9*	**82,889,381**	74,607,821
Investment securities, net	*10*	**13,387,012**	8,810,092
Investment in an associate		**91,960**	92,916
Investment properties, net		**181,470**	185,768
Property and equipment		**403,072**	354,251
Bankers acceptances		**7,369,029**	8,570,044
Positive mark to market value of derivatives		**1,048,190**	1,024,009
Other assets, net	*11*	**2,479,509**	2,902,494
TOTAL ASSETS		**126,024,283**	116,074,331
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		**7,692,094**	7,838,704
Customer deposits and Islamic customer deposits	*12*	**86,442,019**	81,074,379
Notes and medium term borrowings	*13*	**5,705,211**	2,034,019
Due for trade acceptances		**7,369,029**	8,570,044
Negative mark to market value of derivatives		**986,467**	923,911
Other liabilities	*14*	**2,878,741**	1,751,028
TOTAL LIABILITIES		**111,073,561**	102,192,085
EQUITY			
Share capital	*15.1*	**2,985,192**	2,802,734
Tier 1 capital notes	*15.2*	**2,203,800**	2,203,800
Legal and statutory reserve		**1,401,447**	1,401,447
General reserve		**1,328,025**	1,328,025
Capital reserve		**38,638**	38,638
Fair value reserve		**(734,580)**	(693,832)
Retained earnings		**7,728,200**	6,801,434
TOTAL EQUITY		**14,950,722**	13,882,246
TOTAL LIABILITIES AND EQUITY		**126,024,283**	116,074,331

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

The Group condensed consolidated interim financial statement were approved and authorized for issue by the Board of Directors on 25 October 2023.

The attached notes from 1 to 26 form part of the Group condensed consolidated interim financial statements. The independent auditor's report on review of the Group condensed consolidated interim financial statements is set out on pages 1 to 2.

H.E. Humaid Al Qutami
Chairman

Dr. Bernd van Linder
Chief Executive Officer

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of profit or loss

For the three-month and nine-month periods ended 30 September 2023 (unaudited)

		Three-month period ended		Nine-month period ended	
	Notes	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Interest income		**1,562,749**	874,151	**4,314,362**	2,182,427
Interest expense		**(736,501)**	(226,135)	**(1,886,468)**	(506,648)
Net interest income		**826,248**	648,016	**2,427,894**	1,675,779
Income from Islamic financing		**188,633**	128,943	**547,657**	315,940
Distribution on Islamic deposits		**(129,686)**	(56,848)	**(322,017)**	(138,615)
Net income from Islamic financing		**58,947**	72,095	**225,640**	177,325
Total net interest income and net income from Islamic financing		**885,195**	720,111	**2,653,534**	1,853,104
Fees and commission income		**334,130**	265,766	**940,965**	838,556
Fees and commission expense		**(70,187)**	(86,725)	**(219,933)**	(252,624)
Net fees and commission income		**263,943**	179,041	**721,032**	585,932
Share of gain of an associate		**3,284**	2,551	**6,140**	6,619
Other operating income	*16*	**102,108**	84,229	**335,315**	274,276
Total operating income		**1,254,530**	985,932	**3,716,021**	2,719,931
Operating expenses	*17*	**(301,537)**	(255,490)	**(881,297)**	(730,100)
Operating Profit before impairment		**952,993**	730,442	**2,834,724**	1,989,831
Net impairment loss	*18*	**(242,910)**	(274,820)	**(899,152)**	(667,828)
Net profit for the period		**710,083**	455,622	**1,935,572**	1,322,003
Basic and diluted earnings per share	*19*	**0.24**	0.15	**0.63**	0.42

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

The independent auditor's report on review of the Group condensed consolidated interim financial statements is set out on pages 1 to 2.

Commercial Bank of Dubai PSC

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

For the three-month and nine-month periods ended 30 September 2023 (unaudited)

	Three-month period ended		Nine-month period ended	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Net profit for the period	**710,083**	455,622	**1,935,572**	1,322,003
Items that will not be reclassified to profit or loss:				
Realised gain on sale of equity investments held at fair value through other comprehensive income	**438**	-	**438**	406
Net change in fair value of equity investments (or instruments) at FVOCI	**(3,406)**	(22,206)	**(16,773)**	4,443
Items that are or may be subsequently reclassified to profit or loss:				
Changes in fair value of effective portion of cash flow hedge	**-**	-	**-**	1,641
Changes in fair value reserve of property	**(7,524)**	-	**(13,869)**	-
Changes in fair value reserve of an associate	**(100)**	(776)	**423**	(1,260)
Net amount transferred (or reclassified) to profit or loss on debt investments (or instruments) at FVOCI	**-**	-	**-**	(398)
Net change in fair value of debt investments (or instruments) at FVOCI	**(67,637)**	(166,515)	**(10,529)**	(695,712)
	(75,261)	(167,291)	**(23,975)**	(695,729)
Other comprehensive loss for the period	**(78,229)**	(189,497)	**(40,310)**	(690,880)
Total comprehensive income for the period	**631,854**	266,125	**1,895,262**	631,123

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

The independent auditor's report on review of the Group condensed consolidated interim financial statements is set out on pages 1 to 2.

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of changes in equity

For the nine-month period ended 30 September 2023 (unaudited)

	Share capital AED'000	Tier 1 capital notes AED'000	Legal and statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2023	**2,802,734**	**2,203,800**	**1,401,447**	**1,328,025**	**38,638**	**(693,832)**	**6,801,434**	**13,882,246**
Transactions with shareholders, recorded directly in equity								
Bonus shares for 2022 (6.51%)	**182,458**	**-**	**-**	**-**	**-**	**-**	**(182,458)**	**-**
Cash dividend for 2022 (26.05%)	**-**	**-**	**-**	**-**	**-**	**-**	**(730,112)**	**(730,112)**
Directors' remuneration for 2022	**-**	**-**	**-**	**-**	**-**	**-**	**(23,000)**	**(23,000)**
Interest on Tier 1 capital notes	**-**	**-**	**-**	**-**	**-**	**-**	**(66,114)**	**(66,114)**
Share of Director's remuneration of an associate	**-**	**-**	**-**	**-**	**-**	**-**	**(866)**	**(866)**
Other reserves	**-**	**-**	**-**	**-**	**-**	**-**	**(6,694)**	**(6,694)**
Other comprehensive income								
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**1,935,572**	**1,935,572**
Gain on sale of equity investments at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(438)**	**438**	**-**
Other comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(40,310)**	**-**	**(40,310)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(40,748)**	**1,936,010**	**1,895,262**
Balance as at 30 September 2023 (unaudited)	**2,985,192**	**2,203,800**	**1,401,447**	**1,328,025**	**38,638**	**(734,580)**	**7,728,200**	**14,950,722**
Balance as at 1 January 2022	2,802,734	2,203,800	1,401,447	1,328,025	38,638	(61,174)	5,853,744	13,567,214
Transactions with shareholders, recorded directly in equity								
Cash dividend for 2021 (25.88%)	-	-	-	-	-	-	(725,348)	(725,348)
Directors' remuneration for 2021	-	-	-	-	-	-	(19,250)	(19,250)
Interest on Tier 1 capital notes	-	-	-	-	-	-	(66,114)	(66,114)
Share of Director's remuneration of an associate	-	-	-	-	-	-	(909)	(909)
Other comprehensive income								
Net profit for the period	-	-	-	-	-	-	1,322,003	1,322,003
Gain on sale of equity investments at fair value through other comprehensive income	-	-	-	-	-	(406)	406	-
Other comprehensive loss for the period	-	-	-	-	-	(690,880)	-	(690,880)
Total comprehensive income for the period	-	-	-	-	-	(691,286)	1,322,409	631,123
Balance as at 30 September 2022 (unaudited)	2,802,734	2,203,800	1,401,447	1,328,025	38,638	(752,460)	6,364,532	13,386,716

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

The independent auditor’s report on review of the Group condensed consolidated interim financial statements is set out on pages 1 to 2.

Commercial Bank of Dubai PSC

Group condensed consolidated interim statement of cash flows

For the nine-month period ended 30 September 2023 (unaudited)

	Notes	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
OPERATING ACTIVITIES			
Net profit for the period		**1,935,572**	1,322,003
Adjustments for non-cash and other items:			
Depreciation and amortisation		**35,579**	25,963
Amortisation of (discount) / premium on investments		**(145,673)**	1,821
Amortisation of transaction cost on notes and medium term borrowings		**725**	726
Loss on foreign exchange translation		**3,435**	45,437
Unrealized gain on investments at fair value through profit or loss		**(43)**	-
Realised loss / (gain) on sale of investments		**660**	(1,382)
Net unrealized loss on derivatives		**37,704**	49,538
Impairment allowance on investment securities		**362**	90
Share of profit of an associate		**(6,140)**	(6,619)
Dividend income		**(8,005)**	(4,544)
Impairment allowance on loans and advances and Islamic financing		**826,744**	740,572
Charge / (reversal) of impairment allowance on due from banks		**673**	(167)
Impairment allowance on other assets		**151,516**	30,123
Gain on disposal of property and equipment and investment properties		**(113)**	(28)
		2,832,996	2,203,533
Increase in negotiable Central Bank U.A.E. certificate of deposits with original maturity of more than three months		**(250,000)**	(1,250,000)
(Increase) / decrease in due from banks with original maturity of more than three months		**(1,305,153)**	109,043
Increase in loans and advances and Islamic financing		**(9,108,304)**	(3,437,611)
Decrease / (increase) in other assets		**257,600**	(191,768)
Decrease in due to banks with original maturity of more than three months		**(447,378)**	(368,688)
Increase / (decrease) in customer deposits and Islamic customer deposits		**5,360,946**	(943,386)
Increase in other liabilities		**1,127,713**	141,670
Directors' remuneration paid		**(23,000)**	(19,250)
Net cash flow used in operating activities		**(1,554,580)**	(3,756,457)
INVESTING ACTIVITIES			
Purchase of investments		**(10,628,158)**	(9,760,368)
Purchase of property and equipment and investment properties		**(80,432)**	(47,856)
Dividend income received		**8,005**	4,544
Dividend from an associate		**6,653**	7,984
Proceeds from sale of investments		**6,166,305**	8,172,795
Proceeds from sale of property and equipment and investment properties		**443**	2,529
Net cash flow used in investing activities		**(4,527,184)**	(1,620,372)
FINANCING ACTIVITIES			
Issuance / (repayment) of notes and medium term borrowings		**3,670,467**	(551,442)
Interest on Tier 1 capital notes		**(66,114)**	(66,114)
Dividend paid		**(730,112)**	(725,348)
Net cash flow from / (used in) financing activities		**2,874,241**	(1,342,904)
Net decrease in cash and cash equivalents		**(3,207,523)**	(6,719,733)
Cash and cash equivalents at 1 January		**16,182,045**	16,036,787
Cash and cash equivalents at end of the period	*20*	**12,974,522**	9,317,054

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

The independent auditor’s report on review of the Group condensed consolidated interim financial statements is set out on pages 1 to 2.

1. LEGAL STATUS AND ACTIVITIES

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

The condensed consolidated interim financial statement of the Group for the nine-month period ended 30 September 2023 comprise the results of the Bank, its wholly owned subsidiaries (together referred to as "the Group") and the Group's interest in an associate.

Details about subsidiaries, special purpose entities and an associate:

Name of Subsidiary	Ownership Interest 30 Sep 2023	Ownership Interest 31 Dec 2022	County of Incorporation	Principle activities
Subsidiary				
CBD Financial Services LLC	100%	100%	UAE	Providing brokerage facilities for local shares and bonds.
CBD Employment Services One Person Company LLC	100%	100%	UAE	Supply of manpower services.
Attijari Properties LLC	100%	100%	UAE	Self-owned property management services as well as buying and selling of real estate.
Noor Almethaq Real Estate Development LLC	100%	100%	UAE	Development of real estate.
Special Purpose Entity				
CBD (Cayman) Limited	100%	100%	Cayman Islands	Issuance of debt securities.
CBD (Cayman II) Limited	100%	100%	Cayman Islands	Transact and negotiate derivative agreements.
VS 1897 (Cayman) Limited	100%	100%	Cayman Islands	Manage investment acquired in the settlement of debt.
CBD Digital Lab Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	UAE	Technology research and development.
Hortin Holding Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Lodge Hill Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Westdene Investment Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Associate				
National General Insurance Co. (PJSC)	17.8%	17.8%	UAE	Life and general insurance business as well as certain reinsurance business.

2. BASIS OF PREPARTION

2.1 Statement of compliance

These Group condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial reporting. These condensed consolidated interim financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022.

The accounting policies adopted in the preparation of these Group condensed consolidated interim financial statements are consistent with those followed in the preparation of these Group audited consolidated financial statements for the year ended 31 December 2022, except for the new and revised International Financial Reporting Standards mentioned in note 5.

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed consolidated interim financial statements.

2.2 Functional and presentation currency

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

2.3 Basis of consolidation

These Group condensed consolidated interim financial statements comprise the financial statements of the Bank, its wholly owned subsidiaries (together referred to as "the Group"), which it controls and the Group's interest in an associate, as at 30 September 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial Assets

3.1.1 Classification

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

Business model assessment

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.1 Classification (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1.2 Impairment of financial assets

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

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

No impairment loss is recognized on equity investments.

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

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses (LTECL). LTECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECLs.

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

- for financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

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

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

Details of these statistical parameters / inputs are as follows:

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

(i) Assessment of significant increase in credit risk

Assessment of significant increase in credit risk is performed on monthly basis for each individual exposure. Quantitative thresholds are established for the significant increase in the credit based on the movement in credit rating. In addition to quantitative criteria the Group has a proactive Early Warning Indicator (EWI) framework, based on which the Credit Risk team performs a portfolio quality review on a monthly basis. The objective of the same is to identify potentially higher risk customers within the performing customers.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

(ii) Improvement of credit risk profile

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

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

Default definition

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

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

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

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

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

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

- ***Non-retail portfolio***

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

A non-retail customer is identified as at default if the customer is materially delinquent for more than 90 days on any of its credit obligation. The criteria may be rebutted on a case by case basis, depending upon individual circumstances of customers.

- ***Retail portfolio***

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

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

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

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

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

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

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

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is material, the Group deems the arrangement is substantially different leading to derecognition.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Assets (continued)

3.1.2 Impairment of financial assets (continued)

(iv) Modification of financial assets (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the consolidated statement of profit or loss. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Interest Rate Benchmark Reform

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates ("RFRs") and market-led working groups in respective jurisdictions had recommended alternative risk-free reference rates, which are gradually being adopted.

The majority of market LIBOR and other IBOR were discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates ("ARRs"), with the exception of certain USD LIBOR rates where cessation was delayed until 30 June 2023 with a synthetic alternative available until September 2024. The transition away from the IBORs covers most of the business units and support functions of the Group.

The Group established a cross-functional IBOR committee to manage its transition to alternative rates. This committee 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.

IBOR reform exposes the Group to various risks, which the project group is reviewing and monitoring to manage the changes appropriately. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- Financial and Market risk to the Group and its clients that IBOR reform disrupts markets giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable; and
- Accounting risk if the Group's hedging relationships fail and form an unrepresentative income statement volatility as financial instruments transition to RFRs.

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR the Group worked to amend the contracts to include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate. The Group had signed up to fallback mechanisms for centrally cleared derivatives and all exposures are transferred to the new benchmark.

The cross functional IBOR committee was successful in transitioning from the London Interbank Offered Rate ("LIBOR") to the Secured Overnight Financing rate ("SOFR") as the primary reference rate for our financial products and contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Interest Rate Benchmark Reform (continued)

We had proactively communicated this change to all the affected customers in advance of the transition date of 30 June 2023, ensuring transparency and clarity throughout the process with the aim to facilitate a smooth transition for all parties involved.

As a result of the collective efforts, we had effectively replaced LIBOR with SOFR as the refence rate for all the new contracts, agreements, and financial instruments. For all existing contracts referencing LIBOR, we had taken the necessary steps to amend and align them with the new reference rate.

This transition marks an important milestone in our commitment and aligning with the market best practices.

The LIBOR Transition had no material impact on the financial statements.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these Group condensed consolidated interim financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2022.

(i) Credit risk management

In addition to the management of credit risk described in Note 35 b. (i) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2022, the Group has identified several more vulnerable sectors to an environment with higher interest rates, and reviews are being conducted on a more frequent basis. Sectors that currently are considered more vulnerable are:

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

The Group continues to apply robust underwriting standards to companies in the above sectors, especially for any new customers. Extra measures, such as requiring additional approvals for disbursals of facilities have been implemented to ensure a high level of scrutiny over the credit management process. The Bank will continue to demonstrate sound prudence and vigor in underwriting across the retail sector whilst supporting customers and businesses across the UAE.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(i) Credit risk management (continued)

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

Governance around IFRS 9 ECL models and calculations

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

(ii) Fair value measurement of financial instruments

The Group's existing policy on fair value measurement of financial instruments is disclosed in note 3.1 (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2022.

(iii) Investment properties

The Group's existing policy on the recognition and measurement of investment properties is disclosed in note 3.7 to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2022.

As the real estate market has recovered significantly and became highly active, the Bank has not identified any significant impact to the fair values of investment properties during the period ended 30 September 2023.

(iv) Regulatory Updates

The regulations which were issued by CBUAE to mitigate the repercussions of COVID 19 pandemic, which are still effective as at 30 September 2023 are detailed below:

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

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(iv) Regulatory Updates (continued)

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

Concentration analysis:

Please refer to note 9 to these Group condensed consolidated interim financial statements, which discloses the sector categorization of loans and advances as at 30 September 2023.

(v) Corporate Tax

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

The Cabinet of Ministers Decision No.116/2022 effective from January 2023, has confirmed the threshold of income over which the 9% tax rate would apply, and the Law is considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375.000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

For the Group, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024. In accordance with IAS 12 Income Taxes, the related deferred tax accounting impact has been considered for the interim financial period ended 30 September 2023.

The Group has assessed the deferred tax implications for the nine months ended 30 September 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not expected to be material.

The Group shall continue to monitor critical Cabinet Decisions to determine the impact on the Group, from deferred tax perspective.

(vi) Sanctions and Economic Updates

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

Turkey and Egypt have experienced an economic crisis including a shortage of foreign currency, a rapidly rising inflation rate and devaluation of their currencies.

The Bank has assessed the exposure to this, and confirm no material exposures to these jurisdictions.

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

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

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

		Effective for annual periods beginning on or after
a	Amendments to IAS 8 Accounting policies, Changes in accounting estimates and errors	1 January 2023
b	Amendment to IFRS 17 Insurance contracts	1 January 2023
c	Amendment to IAS 1 and IFRS Practice Statement 2 relating to disclosure of Accounting Policies	1 January 2023
d	Deferred Tax related to Assets and liabilities arising from a Single Transaction – Amendment to IAS 12	1 January 2023

6. RISK GOVERNANCE AND FINANCIAL RISK MANAGEMENT

The Group's Risk Governance and Financial Risk Management objectives, policies and procedures are consistent with those disclosed in these Group audited consolidated financial statements as at and for the year ended 31 December 2022.

7. CASH AND BALANCES WITH CENTRAL BANK

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Cash on hand	**881,347**	830,692
Balances with Central Bank U.A.E.		
- Statutory reserves and other deposits	**12,893,582**	13,529,737
- Negotiable certificates of deposit	**1,550,000**	1,400,000
	15,324,929	15,760,429

Effective 28 October 2020, the CBUAE introduced new regulations regarding statutory reserve requirements for deposit-taking licensed financial institutions. Under the new regulation, deposit-taking licensed institutions are allowed to draw on their reserve balances held in the CBUAE on any day up to 100% for daily settlement purposes or to deal with any swings on overnight money market rates, while ensuring that the daily average requirements over a 14-day reserve maintenance period is met. The level of reserves required changes periodically in accordance with business requirements and the directives of the Central Bank U.A.E.

Cash and balances with Central Bank is classified under stage 1 as per IFRS 9. However, these are low credit risk and there are no expected credit losses and hence no provision has been recognised.

8. DUE FROM BANKS, NET

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Current and demand deposits	**678,494**	2,800,919
Overnight, call and short notice	**381,622**	480,453
Loans to banks	**1,791,461**	486,308
Gross due from banks	**2,851,577**	3,767,680
Less: Expected credit losses	**(1,846)**	(1,173)
Net due from banks	**2,849,731**	3,766,507
Within the U.A.E.	**53,303**	77,545
Outside the U.A.E.	**2,796,428**	3,688,962
	2,849,731	3,766,507

Due from banks is classified under stage 1 as per IFRS 9.

9. LOANS AND ADVANCES AND ISLAMIC FINANCING, NET

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
<u>**At Amortised Cost**</u>		
Loans and advances		
Overdrafts	**7,228,297**	7,217,838
Time loans	**61,487,700**	54,547,369
Advances against letters of credit and trust receipts	**3,823,482**	2,593,738
Bills discounted	**3,694,960**	3,454,296
Gross loans and advances	**76,234,439**	67,813,241
Islamic financing		
Murabaha and Tawaruq	**5,106,695**	4,793,285
Ijara	**6,365,907**	6,299,758
Others	**770,614**	713,454
Gross Islamic financing	**12,243,216**	11,806,497
Gross loans and advances and Islamic financing	**88,477,655**	79,619,738
Less: Expected credit losses	**(5,588,274)**	(5,011,917)
Net loans and advances and Islamic financing	**82,889,381**	74,607,821

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

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

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
At 30 September 2023 (Unaudited)				
Gross loans and advances and Islamic financing	**74,495,829**	**7,292,105**	**6,689,721**	**88,477,655**
Less: Expected credit losses	**(534,204)**	**(806,437)**	**(4,247,633)**	**(5,588,274)**
Net loans and advances and Islamic financing	**73,961,625**	**6,485,668**	**2,442,088**	**82,889,381**
At 31 December 2022 (Audited)				
Gross loans and advances and Islamic financing	66,198,778	7,342,083	6,078,877	79,619,738
Less: Expected credit losses	(506,676)	(740,478)	(3,764,763)	(5,011,917)
Net loans and advances and Islamic financing	65,692,102	6,601,605	2,314,114	74,607,821

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

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Commercial and Business		
Manufacturing	**6,125,590**	5,555,810
Construction	**6,047,209**	5,267,474
Real estate	**18,313,060**	19,133,781
Trade	**10,761,936**	9,230,932
Transportation and storage	**3,010,270**	2,390,725
Services	**6,091,036**	5,987,754
Hospitality	**3,542,056**	3,182,690
Total Commercial and Business	**53,891,157**	50,749,166
Financial and insurance activities	**7,869,316**	5,948,857
Government entities	**2,647,828**	1,656,336
Personal - mortgage	**11,754,335**	10,284,271
Personal - schematic	**4,894,558**	4,512,723
Individual loans for business	**1,464,203**	1,484,289
Others	**5,956,258**	4,984,096
Gross loans and advances and Islamic financing	**88,477,655**	79,619,738
Less: Expected credit losses	**(5,588,274)**	(5,011,917)
Net loans and advances and Islamic financing	**82,889,381**	74,607,821

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

An analysis of changes in the ECL is as follows:

	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
ECL allowance at the beginning of the period	**5,011,917**	4,023,818
Net impairment allowance	**826,744**	592,237
Interest / profit not recognised	**445,223**	296,838
Recoveries	**(46,551)**	(77,092)
Amounts (written off) / written back	**(649,059)**	94,071
ECL allowance at the end of the period	**5,588,274**	4,929,872

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

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

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Allowances for impairment losses: General		
General provisions under Circular 28/2010 of CBUAE	**1,316,791**	1,208,867
Less: Stage 1 and Stage 2 provisions under IFRS 9	**1,340,641**	1,247,154
General provision transferred to the impairment reserve*	**-**	-
Allowances for impairment losses: Specific		
Specific provisions under Circular 28/2010 of CBUAE	**4,006,543**	3,407,387
Less: Stage 3 provisions under IFRS 9	**4,247,633**	3,764,763
Specific provision transferred to the impairment reserve*	**-**	-
Total provision transferred to the impairment reserve	**-**	-

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

The Group has hedged the fair value of certain fixed rate loans and advances and Islamic financing. The carrying value of these loans and advances and Islamic financing is AED 21.5 million (31 December 2022: AED 30.8 million). Net negative fair value of the hedged component is AED 0.4 million (31 December 2022 net negative fair value of AED 0.4 million).

10. INVESTMENT SECURITIES, NET

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
30 September 2023 (Unaudited)				
Held at fair value through profit or loss				
Fixed rate non-government debt securities	**23,389**	**-**	**-**	**23,389**
Unquoted equity instruments	**-**	**-**	**177,153**	**177,153**
Held at fair value through other comprehensive income				
Quoted equity instruments	**52,279**	**-**	**-**	**52,279**
Unquoted equity instruments and fund	**113,976**	**-**	**3,075**	**117,051**
Fixed rate debt securities				
- Government	**1,912,021**	**631,879**	**877,314**	**3,421,214**
- Others	**792,558**	**298,475**	**1,891,965**	**2,982,998**
Floating rate non-government debt securities	**146,755**	**-**	**36,653**	**183,408**
Held at amortised cost				
Fixed rate debt securities				
- Government	**4,337,075**	**549,767**	**550,860**	**5,437,702**
- Others	**244,706**	**35,864**	**711,375**	**991,945**
Floating rate non-government debt securities	**-**	**-**	**-**	**-**
	7,622,759	**1,515,985**	**4,248,395**	**13,387,139**
Less: Expected credit losses on amortised cost securities				**(127)**
				13,387,012

	UAE AED'000	GCC AED'000	International AED'000	Total AED'000
31 December 2022 (Audited)				
Held at fair value through profit or loss				
Fixed rate non-government debt securities	-	-	-	-
Unquoted equity instruments	1,837	-	245,333	247,170
Held at fair value through other comprehensive income				
Quoted equity instruments	60,072	-	-	60,072
Unquoted equity instruments and fund	117,753	-	16,944	134,697
Fixed rate debt securities				
- Government	1,907,173	582,880	816,680	3,306,733
- Others	728,610	297,066	1,736,488	2,762,164
Floating rate non-government debt securities	146,185	-	35,158	181,343
Held at amortised cost				
Fixed rate debt securities				
- Government	1,599,505	124,363	109,939	1,833,807
- Others	73,099	-	165,026	238,125
Floating rate non-government debt securities	-	45,998	-	45,998
	4,634,234	1,050,307	3,125,568	8,810,109
Less: Expected credit losses on amortised cost securities				(17)
				8,810,092

Included in fixed and floating rate securities held at fair value through other comprehensive income and at amortised cost securities is an amount of AED 4.8 billion (31 December 2022: AED 3.3 billion), pledged under repurchase agreements with banks under short term and medium-term borrowings.

11. OTHER ASSETS, NET

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Interest receivable	**789,373**	516,006
Accounts receivable and prepayments	**282,203**	231,176
Properties acquired in settlement of debt-held for sale, net	**1,407,933**	2,155,312
	2,479,509	2,902,494

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

12. CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Customer deposits		
Current and demand accounts	**36,793,560**	30,329,265
Savings accounts	**3,410,171**	4,019,908
Time deposits	**32,411,803**	35,044,252
	72,615,534	69,393,425
Islamic customer deposits		
Current and demand accounts	**3,191,234**	3,494,609
Mudaraba savings accounts	**606,298**	551,217
Investment and Wakala deposits	**10,028,953**	7,635,128
	13,826,485	11,680,954
Total customer deposits and Islamic customer deposits	**86,442,019**	81,074,379

The Group maintains an investment risk reserve, which represents a portion of the depositors' share of profits set aside as a reserve for AED 6.7 million (2022: AED Nil).

13. NOTES AND MEDIUM TERM BORROWINGS

	Notes	**31 December 2022 AED'000 (Audited)**	**Cash flow changes AED'000**	**Non cash flow changes AED'000**	**30 September 2023 AED'000 (Unaudited)**
Syndicated loan	13.1	622,823	**-**	**725**	**623,548**
Repurchase agreements - I	13.2	-	**-**	**-**	**-**
Repurchase agreements - III	13.2	1,135,721	**-**	**-**	**1,135,721**
Repurchase agreements - IV	13.2	-	**917,459**	**-**	**917,459**
Repurchase agreements - V	13.2	-	**916,508**	**-**	**916,508**
Medium term notes	13.3	275,475	**1,836,500**	**-**	**2,111,975**
Total		2,034,019	**3,670,467**	**725**	**5,705,211**

13. NOTES AND MEDIUM TERM BORROWINGS (CONTINUED)

		31 December 2021 AED'000 (Audited)	Cash flow changes AED'000	Non cash flow changes AED'000	31 December 2022 AED'000 (Audited)
Syndicated loan	13.1	621,852	-	971	622,823
Repurchase agreements - I	13.2	551,442	(551,442)	-	-
Repurchase agreements - III	13.2	1,135,721	-	-	1,135,721
Medium term notes	13.3	275,475	-	-	275,475
Total		2,584,490	(551,442)	971	2,034,019

13.1 Syndicated loan

In August 2019, the Group entered into a club deal of USD 170 million (AED 624.4 million) priced at 6 month LIBOR plus 135 bps, the transaction is now transitioned to daily compounding SOFR + 135 bps + 42.868 bps (Credit Adjustment Spread) for a term of 5 years with an option to roll over on a semi-annual basis maturing in August 2024.

13.2 Repurchase agreements

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

	Purchase date	Maturity date	Price	Amount in USD (millions)	Amount in AED (millions)
Repurchase agreements - I	July 2012	July 2022	3-month LIBOR plus 150 bps	150.1	551.4
Repurchase agreements - III	June 2021	June 2026	SOFR plus106 bps	309.2	1,135.7
Repurchase agreements - IV	April 2023	April 2026	SOFR plus 90 bps	249.8	917.5
Repurchase agreements - V	April 2023	April 2028	SOFR plus 99 bps	249.5	916.5

As at 30 September 2023 the fair value of the debt securities, which have been pledged under these repurchase agreements with banks, amounts to AED 3,331.4 million (USD 907.0 million) (31 December 2022: AED 1,265.1 million (USD 344.4 million)).

13.3 Medium term notes

In July 2021, CBD issued USD 50 million (AED 183.7 million) of conventional notes. These notes were priced at 3 month LIBOR plus 130 bps floating rate and had transitioned to CME TERM SOFR +130 bps + Credit Adjustment spread for the first period and further to daily compounded SOFR + 130 bps + 26.161 bps (Credit Adjustment Spread) and will mature on 8 July 2026.

In September 2021, CBD issued USD 25 million (AED 91.8 million) of conventional notes. These notes were priced at 3 month LIBOR plus 130 bps floating rate and had transitioned to daily compounded SOFR + 130 bps + 26.161 bps (Credit Adjustment Spread) and will mature on 15 September 2026.

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

14. OTHER LIABILITIES

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Accrued interest payable	**943,998**	498,602
Employees' terminal benefits	**47,596**	53,885
Accounts payable	**478,586**	437,305
Accrued expenses	**200,214**	182,260
Manager cheques	**1,164,644**	530,398
Unearned fee income and deferred credits	**43,703**	48,578
	2,878,741	1,751,028

15. EQUITY

15.1 Share capital

The fully paid up and authorised ordinary share capital as at 30 September 2023 comprised 2,985,191,949 ordinary shares of AED 1 each (31 December 2022: 2,802,733,968 shares of AED 1 each). The movement in the number of shares during the period / year is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
As at the beginning of the period / year	**2,802,733,968**	2,802,733,968
Bonus shares issued during the period / year	**182,457,981**	-
At the end of the period / year	**2,985,191,949**	2,802,733,968

15.2 Tier 1 capital

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

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

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

16. OTHER OPERTING INCOME / (LOSS)

	Three-month period ended		**Nine-month period ended**	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Net gains from foreign exchange and derivatives	**80,663**	83,853	**233,960**	237,052
Net gain from investments at fair value through profit or loss	**967**	297	**49**	1,219
Net gain from sale of debt investments at fair value through other comprehensive income	**-**	-	**-**	398
Dividend income	**1,754**	1,753	**8,005**	4,544
Other income, net	**18,724**	(1,674)	**93,301**	31,063
	102,108	84,229	**335,315**	274,276

17. OPERATING EXPENSES

	Three-month period ended		**Nine-month period ended**	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Depreciation and amortisation	**12,883**	9,125	**35,579**	25,963
General and administrative expenses	**108,832**	94,784	**318,896**	266,870
Staff expenses	**179,822**	151,581	**526,822**	437,267
	301,537	255,490	**881,297**	730,100

18. NET IMPAIRMENT LOSS

	Three-month period ended		**Nine-month period ended**	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Net impairment charge / (reversal) on				
Due from banks	**(475)**	(1)	**673**	(167)
Investment securities	**(3)**	18	**362**	90
Loans and advances and Islamic financing	**233,593**	292,412	**826,744**	740,572
Other assets	**35,236**	12,356	**151,516**	30,123
Recoveries of loans and advances and Islamic financing	**(25,441)**	(29,965)	**(80,143)**	(102,790)
Net impairment loss for the period	**242,910**	274,820	**899,152**	667,828

19. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share have been computed using the net profit (further adjusted for interest expense and transaction cost on Tier 1 capital notes) divided by the weighted average number of ordinary shares outstanding 2,985,191,949 (30 September 2022: 2,985,191,949 after adjustment of bonus shares)

	Three-month period ended		**Nine-month period ended**	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Net profit for the period	**710,083**	455,622	**1,935,572**	1,322,003
Deduct : Interest on Tier 1 capital notes	**-**	-	**(66,114)**	(66,114)
Deduct : Tier 1 capital notes transaction cost	**-**	-	**-**	-
Adjusted net profit for the period	**710,083**	455,622	**1,869,458**	1,255,889
Weighted average number of ordinary shares ('000)	**2,985,192**	2,985,192	**2,985,192**	2,985,192
Adjusted earnings per share (AED)	**0.24**	0.15	**0.63**	0.42

The weighted average number of shares for 30 September 2023 and 30 September 2022 are adjusted with the issuance of bonus shares issued during the period (note 15.1)

Diluted earnings per share for the nine-month period ended 30 September 2023 and 30 September 2022 are equivalent to basic earnings per share as Group has not issued any financial instruments that should be taken into consideration as it would impact earnings per share when executed.

20. CASH AND CASH EQUIVALENTS

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

20. CASH AND CASH EQUIVALENTS (continued)

	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Cash on hand	**881,347**	921,641
Statutory reserves and other deposits	**12,893,582**	9,576,259
Negotiable certificates of deposit with the Central Bank U.A.E.	**1,550,000**	1,250,000
Due from banks	**2,851,577**	3,127,061
Due to banks	**(7,692,094)**	(8,381,018)
	10,484,412	6,493,943
Less: Negotiable certificates of deposit with the Central Bank U.A.E. with original maturity more than three months	**(1,300,000)**	(1,250,000)
Less: Due from banks with original maturity of more than three months	**(1,791,461)**	(626,016)
Add: Due to banks with original maturity of more than three months	**5,581,571**	4,699,127
	12,974,522	9,317,054

21. CONTINGENT LIABILITIES AND UNDRAWN COMMITMENTS

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

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Contingent liabilities:		
Letters of credit	**3,243,010**	3,334,275
Letters of guarantee	**14,393,540**	13,320,233
Total contingent liabilities	**17,636,550**	16,654,508
Undrawn commitments to extend credit	**26,320,640**	23,263,977
Capital expenditure commitments	**168,689**	119,081
Commitments for future private equity investments	**47,337**	111,508
Total contingent liabilities and undrawn commitments	**44,173,216**	40,149,074

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

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

22. SEGMENTAL REPORTING

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

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

Business segments

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

Geographical

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

	Institutional banking	Corporate banking	Personal banking	Trading & Other	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
30 September 2023 (Unaudited)					
Assets	**35,912,140**	**44,069,309**	**16,752,626**	**29,290,208**	**126,024,283**
Liabilities	**45,023,009**	**16,392,419**	**36,319,823**	**13,338,310**	**111,073,561**
31 December 2022 (Audited)					
Assets	29,403,174	42,420,938	14,633,217	29,617,002	116,074,331
Liabilities	42,733,354	15,270,985	33,278,579	10,909,167	102,192,085

22. SEGMENTAL REPORTING (CONTINUED)

	Institutional banking AED'000	Corporate banking AED'000	Personal banking AED'000	Trading & Other AED'000	Total AED'000
30 September 2023 (Unaudited)					
Net interest income and net income from Islamic financing	**431,100**	**632,931**	**904,457**	**685,046**	**2,653,534**
Non-interest and other income	**293,527**	**272,480**	**398,120**	**98,360**	**1,062,487**
Total operating income	**724,627**	**905,411**	**1,302,577**	**783,406**	**3,716,021**
Expenses *(note a)*	**158,273**	**203,697**	**479,361**	**39,966**	**881,297**
Net provisions *(note b)*	**265,984**	**507,293**	**6,023**	**119,852**	**899,152**
	424,257	**710,990**	**485,384**	**159,818**	**1,780,449**
Net profit for the period	**300,370**	**194,421**	**817,193**	**623,588**	**1,935,572**
30 September 2022 (Unaudited)					
Net interest income and net income from Islamic financing	420,121	767,940	520,255	144,788	1,853,104
Non-interest and other income	255,173	251,212	311,724	48,718	866,827
Total operating income	675,294	1,019,152	831,979	193,506	2,719,931
Expenses *(note a)*	120,451	113,840	350,080	145,729	730,100
Net provisions *(note b)*	244,935	366,930	(6,275)	62,238	667,828
	365,386	480,770	343,805	207,967	1,397,928
Net profit / (loss) for the period	309,908	538,382	488,174	(14,461)	1,322,003

a) This includes staff and other expenses and depreciation and amortization.

b) This includes expected credit loss on due from banks, loans and advances and Islamic financing, investment securities, and other assets, net of recoveries.

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

	External Parties		**Inter-segment**	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Institutional banking	**480,987**	552,798	243,640	**122,496**
Corporate banking	**2,181,359**	1,414,215	(1,275,948)	**(395,063)**
Personal banking	**657,857**	631,854	644,720	**200,125**
Trading & Other	**395,818**	121,064	387,588	**72,442**
Total operating income	**3,716,021**	2,719,931	-	**-**

23. FINANCIAL ASSETS AND LIABILITIES

23.1 Financial asset and liabilities classification

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

	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total carrying amount
	AED'000	AED'000	AED'000	AED'000
30 September 2023 (Unaudited)				
Cash and balances with Central Bank	-	-	15,324,929	15,324,929
Due from banks, net	-	-	2,849,731	2,849,731
Loans and advances and Islamic financing, net	-	-	82,889,381	82,889,381
Investment securities, net	200,542	6,756,950	6,429,520	13,387,012
Bankers acceptances	-	-	7,369,029	7,369,029
Positive mark to market value of derivatives	1,048,190	-	-	1,048,190
Other assets, net	-	-	924,194	924,194
Total financial assets	1,248,732	6,756,950	115,786,784	123,792,466
Due to banks	-	-	7,692,094	7,692,094
Customer deposits and Islamic customer deposits	-	-	86,442,019	86,442,019
Notes and medium term borrowing	-	-	5,705,211	5,705,211
Due for trade acceptances	-	-	7,369,029	7,369,029
Negative mark to market value of derivatives	986,467	-	-	986,467
Other liabilities	-	-	2,835,038	2,835,038
Total financial liabilities	986,467	-	110,043,391	111,029,858

23. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

23.1 Financial asset and liabilities classification (continued)

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
31 December 2022 (Audited)				
Cash and balances with Central Bank	-	-	15,760,429	15,760,429
Due from banks, net	-	-	3,766,507	3,766,507
Loans and advances and Islamic financing, net	-	-	74,607,821	74,607,821
Investment securities, net	247,170	6,445,009	2,117,913	8,810,092
Bankers acceptances	-	-	8,570,044	8,570,044
Positive mark to market value of derivatives	1,024,009	-	-	1,024,009
Other assets, net	-	-	710,010	710,010
Total financial assets	1,271,179	6,445,009	105,532,724	113,248,912
Due to banks	-	-	7,838,704	7,838,704
Customer deposits and Islamic customer deposits	-	-	81,074,379	81,074,379
Notes and medium term borrowing	-	-	2,034,019	2,034,019
Due for trade acceptances	-	-	8,570,044	8,570,044
Negative mark to market value of derivatives	923,911	-	-	923,911
Other liabilities	-	-	1,702,450	1,702,450
Total financial liabilities	923,911	-	101,219,596	102,143,507

23.2 Fair value measurement – fair value hierarchy:

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

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

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

23. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
30 September 2023 (Unaudited)				
Investments				
Equity instruments and funds	**52,279**	**113,976**	**180,228**	**346,483**
Fixed and floating rate securities	**5,687,469**	**923,540**	**-**	**6,611,009**
Positive market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	**-**	**1,047,804**	**-**	**1,047,804**
Held for fair value hedge	**-**	**386**	**-**	**386**
Held for cash flow hedge	**-**	**-**	**-**	**-**
Negative market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	**-**	**(979,556)**	**-**	**(979,556)**
Held for fair value hedge	**-**	**(6,911)**	**-**	**(6,911)**
Held for cash flow hedge	**-**	**-**	**-**	**-**
	5,739,748	**1,099,239**	**180,228**	**7,019,215**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
31 December 2022 (Audited)				
Investments				
Equity instruments and funds	60,072	117,752	264,115	441,939
Fixed and floating rate securities	5,136,500	1,113,740	-	6,250,240
Positive market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	-	1,009,598	-	1,009,598
Held for fair value hedge	-	14,411	-	14,411
Held for cash flow hedge	-	-	-	-
Negative market value of forward foreign exchange contracts and other derivatives				
Fair value through profit or loss	-	(918,580)	-	(918,580)
Held for fair value hedge	-	(5,331)	-	(5,331)
Held for cash flow hedge	-	-	-	-
	5,196,572	1,331,590	264,115	6,792,277

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

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

24. RELATED PARTY TRANSACTIONS AND BALANCES

As at 30 September 2023 and 31 December 2022 the Investment Corporation of Dubai ("ICD") owns 20% share capital of the Group. ICD is a wholly owned entity by the Government of Dubai (the "Government").

The Group in the ordinary course of business enters into transactions with major shareholders, directors, key management personnel and their related entities. The terms of these transactions are approved by the Group's Board of Directors.

	Directors and key management personnel		**Government related parties**		**Other related parties**	
	30 September 2023	31 December 2022	**30 September 2023**	31 December 2022	**30 September 2023**	31 December 2022
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Due from banks	**-**	-	**73,460**	73,460	**-**	-
Loans and advances and Islamic financing	**101,368**	128,849	**1,310,320**	1,473,374	**2,099,230**	2,112,026
Investment securities, net	**-**	-	**537,980**	441,243	**-**	-
Bankers acceptances	**-**	-	**84,378**	94,765	**91,211**	4,909
Letters of credit	**-**	-	**40,338**	-	**204,753**	149,107
Letters of guarantee	**-**	-	**417,851**	433,103	**123,159**	119,765
Undrawn commitments to extend credit	**59,261**	37,168	**1,109,761**	539,198	**388,030**	417,566
Due to banks	**-**	-	**69,456**	59,576	**-**	-
Customer deposits and Islamic customer deposits	**126,464**	63,382	**3,526,354**	4,116,685	**489,328**	249,922

	30 September 2023	30 September 2022	**30 September 2023**	30 September 2022	**30 September 2023**	30 September 2022
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest income and commission income	**5,923**	4,723	**55,870**	44,393	**123,029**	51,604
Interest expense	**2,030**	222	**143,586**	57,394	**10,909**	4,514
Dividend from an associate	**-**	-	**-**	-	**6,653**	7,984

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

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

Sitting fees paid to directors for attending committee meetings during the nine-month period ended 30 September 2023 amounted to AED 2.0 million (30 September 2022: AED 2.46 million).

Directors' remuneration paid during the period amounted to AED 23.0 million (31 December 2022: AED 19.25 million).

24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Key management compensation	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Salaries	**17,999**	14,912
Post-employment benefits	**995**	684
Other benefits	**20,014**	15,702

25. CAPITAL ADEQUACY

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

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

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

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

As per the Central Bank U.A.E. regulation for Basel III, the capital requirement as at 30 September 2023 is 13% inclusive of capital conservation buffer of 2.5%. The Group has also applied the standards issued vide its circular dated 12 November 2020 & 30 December 2022 by the CBUAE which includes additional Guidance on the topics of Credit Risk, Market Risk, Operational Risk, Equity Investment in Funds (EIF), Counter Party Credit Risk (CCR) and Credit Value Adjustment (CVA). The Standards support the implementation of the “Regulations re Capital Adequacy” (Circular 52/2017).

25. CAPITAL ADEQUACY (CONTINUED)

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Common equity tier 1 (CET1) capital		
Share capital	**2,985,192**	2,802,734
Legal and statutory reserve	**1,401,447**	1,401,447
General reserve and other reserves	**1,366,663**	1,366,663
Retained earnings	**7,728,200**	6,071,426
Accumulated other comprehensive income	**(733,094)**	(692,040)
IFRS transitional arrangement	**106,937**	90,292
	12,855,345	11,040,522
Regulatory deductions and adjustments	**(149,385)**	(123,565)
Total CET1 capital	**12,705,960**	10,916,957
Additional tier 1 (AT1) Capital	**2,203,800**	2,203,800
Tier 1 capital	**14,909,760**	13,120,757
Tier 2 capital		
Eligible general provision	**1,097,325**	1,007,389
Tier 2 capital	**1,097,325**	1,007,389
Total regulatory capital	**16,007,085**	14,128,146
Risk weighted assets (RWA)		
Credit risk	**87,786,036**	80,591,138
Market risk	**1,260,751**	1,248,790
Operational risk	**6,233,385**	6,233,385
Risk weighted assets	**95,280,172**	88,073,313
Tier 1 ratio	**15.65%**	14.90%
Tier 2 ratio	**1.15%**	1.14%
Capital adequacy ratio	**16.80%**	16.04%

26. COMPARATIVE FIGURES

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