From vision to action
A year in review.

Rise every day

mashreq
المشرق

INTEGRATED REPORT 2023

CONTENTS

01. Board of Director's Report

Board of Directors

Chairman	H.E. Abdul Aziz Abdulla Al Ghurair
Vice Chairman	Ali Rashed Ahmad Lootah
Directors	Rashed Saif Saeed Al Jarwan Al Shamsi
	Rashed Saif Ahmed Al Ghurair
	John Gregory Iossifidis
	Iyad Mazher Saleh Malas
	Saeed Saif Ahmed Majid Al Ghurair

Chairman's Message

"Our success goes beyond financial gains, encompassing our deep commitment to customers, pioneering efforts in sustainable finance, and continuous drive for innovation in banking."

This year has been characterized by substantial changes in the global financial sector, and amidst this backdrop, Mashreq has demonstrated remarkable performance, reflecting our core strengths of adaptability and resilience.

Our success goes beyond financial gains, encompassing our deep commitment to customers, pioneering efforts in sustainable finance, and continuous drive for innovation in banking. The UAE banking sector's trajectory of resilience and growth has been augmented by Mashreq's pivotal role in this journey, marking a testament to our enduring strengths and forward momentum.

In line with our vision to drive financial growth and embrace our responsibility towards society and the environment, Mashreq has pledged to facilitate AED 110 billion (USD 30 Billion) in sustainable finance by 2030. This commitment aligns with the UAE's vision for achieving Net Zero by 2050 and emphasizes our dedication to fostering a sustainable and green economy.

> *Our partnership with COP28 demonstrates our commitment to combating climate change and promoting a sustainable future. We are excited about the opportunities to innovate and lead in the realm of sustainable banking, further solidifying our dedication to responsible banking practices.*

The mantra "Rise Every Day" has transcended mere words to become an intrinsic part of our organizational DNA, guiding our actions and decisions in every facet of our business.

I extend my sincere appreciation to our employees, customers, and shareholders for their dedication, loyalty, and unwavering support, which has been instrumental in our journey towards excellence.

I also express my gratitude to the UAE Central Bank, regulators, and the UAE government for their continued trust as we work towards a brighter future in 2024 and beyond. Mashreq remains dedicated to being a catalyst for positive change in the banking industry, creating lasting impact, and driving meaningful progress for our community, customers, and the planet.

Together, let us continue to shape the future of finance with innovation, trust, and an unmatched commitment to excellence and sustainability.

Best Regards,

Abdul Aziz Al Ghurair
Chairman, Mashreq

Group CEO's Message

"In 2023, our efforts were celebrated on an international stage, earning us the accolade of 'Best Bank for Sustainable Finance' at the European Global Banking and Finance Awards."

As we reflect on the year 2023, it is with a sense of profound achievement that I share Mashreq's remarkable journey over the past twelve months. Our strategic endeavors have borne results, culminating in historic financial and operational milestones. These accomplishments are a testament to our rigorous financial discipline and the exceptional talent of our people.

Mashreq has truly showcased its dynamism as a digitally-enabled challenger bank, adeptly navigating the opportunities within the MENA region and beyond. Our strategic forays into key global markets have been underpinned by our intrinsic adaptability and digital expertise.

National Economic Momentum

In the heart of the UAE, we have witnessed a conducive environment for our growth ambitions, thanks to the government's pro-business stance, a competitive regulatory landscape, and a vibrant capital market. The expansion of the UAE's non-oil economy has played a pivotal role, enhancing our investment cycle and economic diversity. Against this backdrop, 2023 stands out as an exceptional year for Mashreq, with our operating income surging by 47.9% to AED 10.8 billion and operating profits by 68.2%. This solidifies our trajectory towards sustainable growth, supported by our strong liquidity and capital foundation.

Prioritizing People

Our progress is intricately linked to our people. In 2023, we have deepened our commitment to employee empowerment, transcending personal, social, or cultural backgrounds. Initiatives such as "Reignite" for women re-entering the workforce and our comprehensive succession planning have been cornerstones in fostering an inclusive, engaging, and empowering work culture. We strongly believe that embracing diverse perspectives and opinions is vital to our capacity to innovate and develop inclusive products and solutions that promote financial inclusion.

Environmental Responsibility and Sustainability

Our commitment to sustainability has been unwavering, aligning with the UAE's Net Zero by 2050 initiative and our active participation in COP28. I am particularly proud of our AED 110 billion commitment towards sustainable finance by 2030, a part of our global "Climb2Change" initiative, which reinforces our leadership in the sustainable banking frontier.

In our journey towards tackling environmental issues, we have embraced the Science-Based Targets Initiative (SBTi) guidelines, further solidifying our resolve to tread a path to a Net-Zero future. This endeavor transcends mere profit motives, positioning Mashreq as a front-runner in the evolution of sustainable banking practices.

The launch of "Climb2Change" stands as a testament to our holistic approach towards Environmental, Social, and Governance (ESG) matters, encapsulating our commitment to driving meaningful environmental and social changes. This initiative not only cements our position as a sustainability pioneer in the MENA region and beyond but also garners recognition for our transformative work in sustainable finance.

In 2023, our efforts were celebrated on an international stage, earning us the accolade of 'Best Bank for Sustainable Finance' at the European Global Banking and Finance Awards, an honor that reflects the tangible impact and innovative spirit of our sustainable finance endeavors.

Driving Growth and International Expansion

Our journey through 2023 has been a testament to the power of our digital-first approach, driving not just growth but sustainable progress across all facets of Mashreq. The remarkable achievements of our retail and wholesale banking segments underscore this, with revenues reaching unprecedented heights of AED 4 billion and AED 4.5 billion, respectively. This signifies not just numerical growth but a robust 39% and 41% increase year-over-year, marking historic milestones in our journey.

This year, our international expansion into new territories like Pakistan and Oman, alongside intensified efforts in established markets such as the UK, Hong Kong, the US, and within the GCC, India, and Egypt, underscored the effectiveness of our diversified business model. Our commitment to sustainable growth and customer-centric innovation continues to drive our journey forward, positioning Mashreq as a leader in the global banking landscape.

Delivering Superior Experience

2023 marked a pivotal year in our digital transformation journey. The consolidation of our digital banking apps into the Mashreq UAE app is a stride towards enhancing customer experience, offering seamless access to our financial services suite. Our recognition by prestigious industry publications such as Euromoney accentuates our commitment to technological innovation and customer satisfaction. It also underscores Mashreq's prominent role as a digital challenger bank.

As we embark on 2024, we are buoyed by the anticipation of new opportunities and the promise to serve you better. Our focus remains steadfast on enhancing customer experiences, bolstering security, and leveraging AI to refine our digital offerings like NEO and NEO BIZ. Our strategy is not just about growth but about creating value responsibly and sustainably for all stakeholders.

The journey ahead is exciting, and I look forward to leading Mashreq as we continue to pioneer digital innovation, deliver exceptional customer experiences, and champion a sustainable and inclusive future.

Best Regards,

Ahmed Abdelaal
Group Chief Executive Officer

02.
Auditor's Report and Annual Financial Statements

Mashreqbank PSC Group

Report and consolidated financial statements
for the year ended 31 December 2023

These audited consolidated financial statements are subject to approval of the Central Bank of U.A.E. and adoption by shareholders at the annual general meeting.

Classification: Confidential

Mashreqbank PSC Group

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BOARD OF DIRECTORS' REPORT

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

Incorporation and registered offices

Mashreqbank PSC was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The address of the registered office is P.O. Box 1250, Dubai, United Arab Emirates.

Principal activities

The principal activities of the Bank are retail banking, commercial banking, investment banking, Islamic banking, brokerage and asset management. These activities are carried out through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Pakistan, Qatar, the United Kingdom and the United States of America.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2023 are set out in the accompanying consolidated financial statements.

Dividend

The Board of Directors has proposed a cash dividend of 185% for the year ended 31 December 2023 at the meeting held on 29 January 2024.

Directors

The following are the Directors of the Bank as at 31 December 2023:

Chairman:	H.E. Abdul Aziz Abdulla Al Ghurair
Vice Chairman:	Ali Rashed Ahmad Lootah
Directors:	Rashed Saif Saeed Al Jarwan Al Shamsi Rashed Saif Ahmed Al Ghurair John Gregory Iossifidis Iyad Mazher Saleh Malas Saeed Saif Ahmed Majid Al Ghurair

Auditors

The consolidated financial statements for the year ended 31 December 2023 have been audited by Deloitte & Touche (M.E.).

By order of the Board of Directors

………………………………………………….
H.E. Abdul Aziz Abdulla Al Ghurair
Chairman
29 January 2024

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mashreqbank PSC
Dubai
United Arab Emirates

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in 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 Board of Directors of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Key audit matter	Our audit approach
Impairment of loans and advances at amortised cost	
The audit of the impairment of loans and advances measured at amortised (which comprises of loans and advances to banks, loans and advances to customers and Islamic financing and investment products) is a key area of our focus because of its size (representing 62% of total assets) and due to the significance and complexity of the estimates and judgments which were used in classifying these loans and advances at amortised cost into various stages and determining the ECL. Refer to Note 3 of the consolidated financial statements for the accounting policy, Note 4 for critical accounting judgements and estimates and Note 43 for disclosures on credit risk. The Group's loans and advances at amortised cost are carried on the consolidated statement of financial position at AED 149 billion as at 31 December 2023. The expected credit loss ("ECL") allowance was AED 3.1 billion as at this date, which comprises of an allowance of AED 1.2 billion against Stage 1 and 2 exposures and an allowance of AED 1.9 billion against exposures classified under Stage 3. The corporate portfolio of Loans and advances at amortised cost is assessed individually for the significant increase in credit risk ("SICR") and measurement of ECL. This requires management to make a reasonable and supportive assessment to capture all qualitative and quantitative forward-looking information while assessing SICR or while assessing credit-impaired criteria for the exposure. Management judgement is also applied in manually overriding stages in accordance with the Group's accounting policies. The measurement of ECL for exposures classified as Stage 1 and Stage 2 are carried out collectively by the ECL models with limited manual intervention or overrides. It is important that these ECL models and their parameters (Probability of Default, Loss Given Default, Exposure At Default and macroeconomic adjustments) are valid throughout the reporting period and are subject to a validation/monitoring process by an independent reviewer. However, the accuracy of the results produced from these ECL models is dependent on using reasonable parameters and upto date inputs (to PD, LGD, EAD and macroeconomic adjustments) which are relevant for the reporting period and subject to timely validation process.	We obtained a detailed business process understanding of the Group's loans and advances measured at amortised cost including a review of the post model adjustments and management overlays in order to assess the reasonableness of these adjustments along with the other critical accounting estimates and judgments that management had applied. We have involved our subject matter experts to assist us in auditing the ECL models as at 31 December 2023. We tested the design and implementation of relevant controls and where applicable also tested the operating effectiveness of those controls. These include: • System-based and manual controls over the timely recognition of impaired loans and advances; • Controls over the ECL calculation models; • Controls over collateral valuation estimates; • Controls over governance and approval process related to impairment provisions and ECL models including continuous reassessment by the management. We understood and evaluated the theoretical soundness of the ECL model by involving our subject matter experts to ensure its compliance with the requirements of IFRS 9. We tested the mathematical integrity of the ECL model by performing recalculations. We assessed the consistency and reasonableness of various inputs and assumptions used by the Group's management to determine impairment. For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group's methodology to determine the allowance, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. We assessed the appropriateness of the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. For a sample of exposures, we checked the appropriateness of the Group's staging. For loans tested collectively, we also evaluated the design and implementation of relevant 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.

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INDEPENDENT AUDITOR'S REPORT
to the Board of Directors of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Key audit matter	Our audit approach
Impairment of loans and advances at amortised cost	
The exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Group in accordance with the original contractual terms. Impaired loans and advances at amortised cost are measured on the basis of the present value of estimated future cash flows (which in the case of stage 3 exposures also includes an assessment of the fair value and recoverability of the collaterals). The impairment loss is calculated based on the shortfall between the carrying value of loans and advances at amortised cost compared to the net present value of future estimated cash flows discounted using the original effective interest rate. The factors considered when determining impairment losses on individually assessed impaired accounts include the customer's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and the costs involved to recover the debts.	We selected samples of loans and advances measured at amortised cost and assessed the accuracy of the Exposure at Default ("EAD"), appropriateness of the Probability of Default ("PD") and calculations of the Loss Given Default ("LGD") used by management in their ECL calculations. For exposures determined to be individually impaired, we tested on a sample basis, management's assessment of the future estimated cash flows, assessed their reasonableness and assessed the resultant allowance calculations. Further, we challenged the estimates and assumptions used by management around the LGD calculation for individually impaired exposures by testing the enforceability and adequacy of valuation of underlying collaterals and estimated recovery on default. We also, assessed the accuracy of disclosures in the consolidated financial statements to determine if they were in compliance with the requirements of IFRS Accounting Standards.
IT systems and controls over financial reporting	
We identified IT systems and controls over the Bank's 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 limit the potential for fraud and error as a result of changes to an application or underlying data.	Our audit approach relies on automated controls and therefore the following procedures were designed to test access and control over the relevant IT systems: We obtained an understanding of the applications relevant to the financial reporting business process and the IT infrastructure supporting those applications. We tested the general IT controls relevant to the identified automated controls and the Information Produced by the Entity (IPE) by covering access security, program changes, data centre and network operations. We examined certain Information Produced by Entity (IPE) used in the financial reporting process from relevant applications and key controls over their report logics. We performed testing on the relevant automated controls for key IT applications relevant to the financial reporting business processes.

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INDEPENDENT AUDITOR'S REPORT
to the Board of Directors of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Other information

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

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

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

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

When we read the Chairman's Report, Corporate Governance Report and Financial Highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 30 January 2023.

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 the applicable provisions of the UAE Federal 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 ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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INDEPENDENT AUDITOR'S REPORT
to the Board of Directors of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

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

- 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 risk, 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- 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 disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT
to the Board of Directors of Mashreqbank PSC, Dubai, United Arab Emirates (continued)

Report on Other Legal and Regulatory Requirements

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

- 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 Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the board of Directors' report is consistent with the Group's books of account;
- Note 7 to the consolidated financial statements of the Group discloses its investments in shares during the financial year ended 31 December 2023;
- Note 37 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted;
- Note 32 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2023; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Further, as required by Article (114) of the Decretal 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
29 January 2024
Dubai
United Arab Emirates

Mashreqbank PSC Group 8

Consolidated statement of financial position
as at 31 December

	Notes	2023 AED'000	2023 USD'000	2022 AED'000 (Restated)	2022 USD'000 (Restated)
ASSETS					
Cash and balances with central banks	5	**41,760,286**	**11,369,531**	31,435,930	8,558,652
Loans and advances to banks	6	**39,127,032**	**10,652,609**	29,053,637	7,910,056
Financial assets measured at fair value	7	**26,031,869**	**7,087,359**	10,429,765	2,839,577
Securities measured at amortised cost	7	**9,951,525**	**2,709,372**	16,422,947	4,471,262
Loans and advances to customers	8	**93,603,237**	**25,484,137**	75,630,344	20,590,891
Islamic financing and investment products	9	**16,752,242**	**4,560,915**	14,672,897	3,994,799
Acceptances		**3,536,930**	**962,954**	9,310,974	2,534,978
Reinsurance contract assets	20	**2,756,863**	**750,575**	2,373,692	646,254
Investment in associate		**36,498**	**9,937**	43,633	11,879
Investment properties	11	**502,047**	**136,686**	464,840	126,556
Property and equipment	12	**1,381,735**	**376,187**	1,395,485	379,931
Intangible assets	13	**360,611**	**98,179**	230,667	62,801
Other assets	10	**4,179,734**	**1,137,962**	5,780,589	1,573,808
Total assets		**239,980,609**	**65,336,403**	197,245,400	53,701,444
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and balances due to banks	14	**37,335,048**	**10,164,729**	28,399,456	7,731,951
Repurchase agreements with banks	15	**1,062,992**	**289,407**	1,926,182	524,417
Customers' deposits	16	**132,609,671**	**36,103,913**	98,827,322	26,906,431
Islamic customers' deposits	17	**13,622,484**	**3,708,817**	14,978,941	4,078,122
Acceptances		**3,536,930**	**962,954**	9,310,974	2,534,978
Medium-term loans	19	**5,158,701**	**1,404,493**	5,223,565	1,422,152
Subordinated debt	48	**1,831,027**	**498,510**	1,831,027	498,510
Insurance and Investment contract liabilities	20	**5,334,957**	**1,452,479**	4,618,473	1,257,412
Other liabilities	18	**8,171,009**	**2,224,614**	7,620,581	2,074,757
Total liabilities		**208,662,819**	**56,809,916**	172,736,521	47,028,730
EQUITY					
Capital and reserves					
Issued and paid up capital	21	**2,006,098**	**546,174**	2,006,098	546,174
Tier 1 capital notes	46	**1,101,900**	**300,000**	1,101,900	300,000
Other reserves	21	**567,248**	**154,437**	(597,711)	(162,731)
Retained earnings		**26,658,113**	**7,257,858**	21,089,209	5,741,685
Equity attributable to owners of the Parent including noteholders of the Group		**30,333,359**	**8,258,469**	23,599,496	6,425,128
Non-controlling interests	22	**984,431**	**268,018**	909,383	247,586
Total equity		**31,317,790**	**8,526,487**	24,508,879	6,672,714
Total liabilities and equity		**239,980,609**	**65,336,403**	197,245,400	53,701,444

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, results of operation and cashflows of the Group as of, and for, the periods presented therein:

……………………………………
Abdul Aziz Abdulla Al Ghurair
Chairman

……………………………………
Ahmed Abdelaal
Group Chief Executive Officer

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

Mashreqbank PSC Group 9

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

	Notes	2023 AED'000	2023 USD'000	2022 AED'000 (Restated)	2022 USD'000 (Restated)
Interest income	24	**11,966,493**	**3,257,962**	6,414,941	1,746,513
Income from Islamic financing and investment products	25	**1,290,888**	**351,453**	671,640	182,859
Total interest income and income from Islamic financing and investment products		**13,257,381**	**3,609,415**	7,086,581	1,929,372
Interest expense	26	**(5,051,561)**	**(1,375,323)**	(2,256,908)	(614,459)
Distribution to depositors - Islamic products	27	**(496,170)**	**(135,086)**	(259,728)	(70,713)
Net interest income and income from Islamic products net of distribution to depositors		**7,709,650**	**2,099,006**	4,569,945	1,244,200
Fee and commission income	28	**4,239,746**	**1,154,301**	3,792,296	1,032,479
Fee and commission expense	28	**(2,807,197)**	**(764,279)**	(2,446,071)	(665,960)
Net fee and commission income		**1,432,549**	**390,022**	1,346,225	366,519
Net investment income	29	**29,712**	**8,089**	91,894	25,019
Other income, net	30	**1,631,156**	**444,094**	1,298,537	353,536
Operating income		**10,803,067**	**2,941,211**	7,306,601	1,989,274
General and administrative expenses	32	**(3,341,855)**	**(909,843)**	(2,870,834)	(781,605)
Operating profit before impairment		**7,461,212**	**2,031,368**	4,435,767	1,207,669
Net impairment reversal/ (charge)	31	**1,368,794**	**372,664**	(467,769)	(127,353)
Profit before tax		**8,830,006**	**2,404,032**	3,967,998	1,080,316
Tax expense		**(153,590)**	**(41,818)**	(146,088)	(39,774)
Profit for the year		**8,676,416**	**2,362,214**	3,821,910	1,040,542
Attributable to:					
Owners of the Parent		**8,589,356**	**2,338,512**	3,729,315	1,015,332
Non-controlling interests		**87,060**	**23,702**	92,595	25,210
		8,676,416	**2,362,214**	3,821,910	1,040,542
Earnings per share	33	**AED 42.82**	**USD 11.66**	AED 18.59	USD 5.06

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

Mashreqbank PSC Group 10

Consolidated statement of other comprehensive income for the year ended 31 December

	2023 AED'000	2023 USD'000	2022 AED'000 (Restated)	2022 USD'000 (Restated)
Profit for the year	**8,676,416**	**2,362,214**	3,821,910	1,040,542
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	**27,130**	**7,387**	83,739	22,799
Items that may be reclassified subsequently to profit or loss:				
Changes in currency translation reserve	**(1,283)**	**(349)**	8,745	2,381
Changes in fair value of financial assets measured at fair value through other comprehensive income (debt instruments)	**29,260**	**7,966**	(1,352,755)	(368,297)
Gain/(loss) on hedging instruments designated as hedges of net investment in foreign operations	**(2,228)**	**(607)**	3,282	894
Changes in insurance finance income and expenses reserve	**1,605**	**437**	3,791	1,032
Total other comprehensive income/(loss) for the year	**54,484**	**14,834**	(1,253,198)	(341,191)
Total comprehensive income for the year	**8,730,900**	**2,377,048**	2,568,712	699,351
Attributed to:				
Owners of the Parent	**8,630,169**	**2,349,624**	2,437,275	663,565
Non-controlling interests	**100,731**	**27,424**	131,437	35,786
	8,730,900	**2,377,048**	2,568,712	699,351

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

Mashreqbank PSC Group 11

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

	Issued and paid up capital AED'000	Tier 1 capital notes AED'000	Other reserves AED'000	Retained earnings AED'000	Equity attributable to owners of the Parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2022 "as previously reported"	2,006,098	-	660,715	17,561,412	20,228,225	796,062	21,024,287
Changes on initial application of IFRS17 (Note 2.1)	-	-	4,936	27,770	32,706	18,030	50,736
Balance at 1 January 2022 (Restated)	2,006,098	-	665,651	17,589,182	20,260,931	814,092	21,075,023
Profit for the year	-	-	-	3,729,315	3,729,315	92,595	3,821,910
Other comprehensive income/(loss)	-	-	(1,292,040)	-	(1,292,040)	38,842	(1,253,198)
Total comprehensive (loss)/income for the year	-	-	(1,292,040)	3,729,315	2,437,275	131,437	2,568,712
Issuance of Tier 1 capital	-	1,101,900	-	-	1,101,900	-	1,101,900
Transfer from investment revaluation reserve to retained earnings	-	-	13,504	(13,504)	-	-	-
Transfer to statutory and legal reserves	-	-	15,174	(15,174)	-	-	-
Payment of dividends [Note 21 (f)]	-	-	-	(200,610)	(200,610)	(32,826)	(233,436)
Transaction with NCI	-	-	-	-	-	(3,320)	(3,320)
Balance at 31 December 2022 (Restated)	2,006,098	1,101,900	(597,711)	21,089,209	23,599,496	909,383	24,508,879
Balance at 1 January 2023 "as previously reported"	**2,006,098**	**1,101,900**	**(605,091)**	**21,038,417**	**23,541,324**	**877,315**	**24,418,639**
Changes on initial application of IFRS17 (Note 2.1)			**7,380**	**50,792**	**58,172**	**32,068**	**90,240**
Balance at 1 January 2023 (Restated)	**2,006,098**	**1,101,900**	**(597,711)**	**21,089,209**	**23,599,496**	**909,383**	**24,508,879**
Profit for the year	-	-	-	**8,589,356**	**8,589,356**	**87,060**	**8,676,416**
Other comprehensive income	-	-	**40,813**	-	**40,813**	**13,671**	**54,484**
Total comprehensive income for the year	-	-	**40,813**	**8,589,356**	**8,630,169**	**100,731**	**8,730,900**
Coupon payment to Tier 1 note holders	-	-	-	**(93,662)**	**(93,662)**	-	**(93,662)**
Transfer to impairment reserve - General	-	-	**1,130,000**	**(1,130,000)**	-	-	-
Transfer from OCI reserve to retained earnings	-	-	**(5,854)**	**5,854**	-	-	-
Payment of dividends [Note 21 (f)]	-	-	-	**(1,805,488)**	**(1,805,488)**	**(32,955)**	**(1,838,443)**
Transaction with NCI	-	-	-	**2,844**	**2,844**	**(8,250)**	**(5,406)**
Non-controlling interests on acquisition of an indirect subsidiary	-	-	-	-	-	**15,522**	**15,522**
Balance at 31 December 2023	**2,006,098**	**1,101,900**	**567,248**	**26,658,113**	**30,333,359**	**984,431**	**31,317,790**

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

Mashreqbank PSC Group 12

Consolidated statement of cash flows
for the year ended 31 December

	2023 AED'000	2023 USD'000	2022 AED'000 (Restated)	2022 USD'000 (Restated)
Cash flows from operating activities				
Profit before taxation for the year	**8,830,006**	**2,404,032**	3,967,998	1,080,315
Adjustments for:				
Depreciation and amortisation	**269,883**	**73,478**	329,649	89,749
Allowances for impairment, net	**(1,368,794)**	**(372,664)**	467,768	127,353
Gain on disposal of property and equipment	**(1,166)**	**(317)**	(341)	(93)
Gain on disposal of investment properties	**2,295**	**625**	-	-
Unrealised (gain)/loss on other financial assets held at FVTPL	**(15,805)**	**(4,303)**	36,119	9,834
Fair value adjustments of investment properties	**(13,005)**	**(3,541)**	(2,011)	(548)
Net realized gain from sale of financial assets measured at FVTPL	**(63,697)**	**(17,342)**	(38,757)	(10,552)
Dividend income from financial assets measured at FVTOCI	**(48,537)**	**(13,215)**	(34,615)	(9,424)
Net realised loss/(gain) from sale of financial assets measured at FVTOCI and securities measured at amortised cost	**99,711**	**27,147**	(53,783)	(14,643)
Share of loss on investment in associate	**7,135**	**1,943**	1,280	348
Unrealised loss/(gain) on derivatives	**8,548**	**2,327**	(58,612)	(15,958)
Gain on Sale of property acquired in settlement of debts	**(55,158)**	**(15,017)**	-	-
Gain on bargain purchase	**(7,700)**	**(2,096)**	-	-
Loss from sale of subsidiary	**-**	**-**	25,960	7,068
Operating cash flows before tax paid and changes in operating assets and liabilities	**7,643,716**	**2,081,057**	4,640,655	1,263,449
Tax paid	**(184,080)**	**(50,117)**	(141,740)	(38,590)
Changes in operating assets and liabilities				
Increase in deposits with central banks	**(5,012,257)**	**(1,364,622)**	(766,513)	(208,689)
(Increase)/decrease in loans and advances to banks with original maturity after three months	**(15,705,470)**	**(4,275,924)**	3,796,367	1,033,588
Increase in loans and advances to customers	**(16,782,916)**	**(4,569,267)**	(9,424,717)	(2,565,945)
(Increase)/decrease in Islamic financing and investment products	**(1,936,435)**	**(527,208)**	453,921	123,583
(Increase)/decrease in reinsurance assets	**(364,181)**	**(99,151)**	326,274	88,830
Decrease/(increase) in other assets	**1,719,600**	**468,173**	(2,431,893)	(662,100)
Increase in financial assets carried at FVTPL	**(103,529)**	**(28,186)**	(376,172)	(102,415)
Decrease in repurchase agreements with banks	**(863,190)**	**(235,010)**	(802,965)	(218,613)
Increase in customers' deposits	**33,782,349**	**9,197,481**	11,675,420	3,178,715
(Decrease)/increase in Islamic customers' deposits	**(1,356,457)**	**(369,305)**	646,854	176,111
Increase in deposits and balances due to banks	**8,935,592**	**2,432,778**	8,832,970	2,404,838
Increase in Insurance and Investment contract liabilities	**569,702**	**155,105**	51,871	14,122
Increase in other liabilities	**642,635**	**174,962**	1,328,824	361,782
Net cash generated from operating activities	**10,985,079**	**2,990,766**	17,809,156	4,848,666
Cash flows from investing activities				
Purchase of property and equipment	**(136,841)**	**(37,256)**	(146,032)	(39,758)
Purchase on intangible assets	**(201,174)**	**(54,771)**	(130,282)	(35,470)
Proceeds from sale of property and equipment	**7,268**	**1,979**	27,384	7,455
Purchase of other financial assets measured at fair value or amortised cost	**(70,415,067)**	**(19,170,996)**	(47,397,026)	(12,904,173)
Proceeds from sale of other financial assets measured at fair value or amortised cost	**61,378,480**	**16,710,721**	46,343,690	12,617,395
Dividend income from other financial assets measured at FVTOCI	**48,537**	**13,215**	34,615	9,424
Proceeds from sale of investment properties	**106,167**	**28,905**	-	-
Investment in associate	**-**	**-**	(8,824)	(2,402)
(Purchase)/disposal of subsidiary	**(165,309)**	**(45,007)**	50,183	13,663
Net cash used in investing activities	**(9,377,939)**	**(2,553,210)**	(1,226,292)	(333,866)

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

Mashreqbank PSC Group 13

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

	2023 AED'000	2023 USD'000	2022 AED'000 (Restated)	2022 USD'000 (Restated)
Cash flows from financing activities				
Transaction with NCI	**(5,406)**	**(1,472)**	(3,320)	(904)
Dividends paid	**(1,838,443)**	**(500,529)**	(233,436)	(63,555)
Medium term notes issued	**480,586**	**130,843**	139,155	37,886
Medium term notes redeemed	**(545,450)**	**(148,503)**	(2,230,710)	(607,326)
Subordinated notes issued	**-**	**-**	1,831,027	498,510
Tier 1 notes issued	**-**	**-**	1,101,900	300,000
Coupon payment to Tier 1 note holders	**(93,662)**	**(25,500)**	-	-
Net cash (used in)/ generated from financing activities	**(2,002,375)**	**(545,161)**	604,616	164,611
Net (decrease)/increase in cash and cash equivalents	**(395,235)**	**(107,605)**	17,187,480	4,679,411
Net foreign exchange difference	**(3,511)**	**(956)**	14,688	3,999
Cash and cash equivalents at beginning of the year	**38,505,206**	**10,483,312**	21,302,038	5,799,629
Cash and cash equivalents at end of the year (Note 35)	**38,106,460**	**10,374,751**	38,504,206	10,483,039

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

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Notes to the consolidated financial statements
for the year ended 31 December 2023

1. General information

Mashreqbank PSC (the "Bank") was incorporated in the Emirate of Dubai in 1967 under a decree issued by The Ruler of Dubai. The Bank operates through its branches in the United Arab Emirates, Bahrain, Kuwait, Egypt, Hong Kong, India, Pakistan, Qatar, the United Kingdom and the United States of America. The address of the Bank's registered office is P.O. Box 1250, Dubai, United Arab Emirates.

2. Application of new and revised International Financial Reporting Standards ("IFRS Accounting Standards")

2.1 New and revised IFRS adopted in the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in this interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

Initial Application of IFRS17 - Comparative Information

The Group has adopted IFRS 17 *Insurance Contracts* from 1 January 2023 which has resulted in changes in the accounting policies for recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts and supersedes IFRS 4 Insurance Contracts.

The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

As permitted by the transition provisions in IFRS 17, the Group has applied the modified retrospective approach for group of contracts by aggregating only those contracts issued more than one year apart. As of the transition date, the Group did not have supportable information to aggregate all contracts into groups of contracts (except for the ones issued more than one year apart) or to an asset for insurance acquisition cash flows due to factors such as the lack of historical data, use of simplification to the extent reasonable and supportable available information, data & assumptions, etc.

The Group has not performed recoverability assessment before the transition date. At transition date, a recoverability assessment was performed, and no impairment loss was identified.

The Group has elected to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income and reset the cumulative amount of insurance finance income or expenses recognised in other comprehensive income at the transition date to zero.

As required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group has applied various adjustments and reclassifications permitted under the modified retrospective approach of the transitionary provisions of IFRS 17 on its group of insurance contracts which has resulted in the following adjustments to the amounts reported as at 1 January 2022 and 31 December 2022 and for the year ended 31 December 2022. Further details of the specific IFRS 17 policies applied in the current period are described in more details in Note 3 and the areas of significant accounting judgments and estimates in note 5.

Condensed consolidated statement of financial position as at 1 January 2022:

The following table summarises the impact of various adjustments and reclassifications on the amounts as at 31 December 2021:

	As previously reported AED'000	Effect of restatement AED'000	As restated AED'000
Equity			
Insurance finance income and expenses reserve	**-**	**4,936**	**4,936**
Retained earnings	**17,561,412**	**27,770**	**17,589,182**
Non-controlling interests	**796,062**	**18,030**	**814,092**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS Accounting Standards") (continued)

2.1 New and revised IFRS adopted in the consolidated financial statements (continued)

The following table summarise the impact of various adjustments and reclassifications on the amounts for the year ended 31 December 2022.

Condensed consolidated statement of profit or loss for the year ended 31 December 2022:

	As previously reported AED'000	Effect of restatement AED'000	As restated AED'000
Interest expense	(2,254,895)	(2,013)	(2,256,908)
Fee and commission income	4,044,130	(251,834)	3,792,296
Fee and commission expense	(2,302,954)	(143,117)	(2,446,071)
Other income, net	1,090,991	207,546	1,298,537
General and administrative expenses	(3,066,256)	195,422	(2,870,834)
Allowances for impairment, net	(497,478)	29,709	(467,769)
Profit for the year	**3,786,197**	**35,713**	**3,821,910**

The following tables summarise the impact of various adjustments and reclassifications on the amounts as at 31 December 2022:

Condensed consolidated statement of financial position as at 31 December 2022:

	As previously reported AED'000	Effect of restatement AED'000	As restated AED'000
Assets			
Other assets*	6,799,304	(1,018,715)	5,780,589
Reinsurance contract assets	3,128,009	(754,317)	2,373,692
Liabilities			
Other liabilities	8,253,044	(632,463)	7,620,581
Insurance and investment contract liabilities	5,642,093	(1,023,620)	4,618,473
Equity			
Insurance finance income and expenses reserve	-	7,380	7,380
Retained earnings	21,038,417	50,792	21,089,209
Non-controlling interests	877,315	32,068	909,383

*Also included in the effect of restatement is an amount of AED 207 million which is related to interest receivables from banks which has been reclassified to loan and advances to banks to conform with the current year presentation.

IFRS 17 also allows entities, in limited circumstances, that have applied IFRS 9 'Financial instruments' to annual reporting period before the initial application of IFRS 17, to redesignate their financial assets associated with insurance. The Group has not redesignated any of its financial assets as a result of the first-time adoption of IFRS 17.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRS Accounting Standards") (continued)

2.1 New and revised IFRS adopted in the consolidated financial statements (continued)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its material accounting policy information. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

New and revised IFRS	***Effective for annual periods beginning on or after***
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024
International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.	1 January 2023, but not required in any interim financial statements for 2023
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	1 January 2024
Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by International Accounting Standards Board ("IASB") and also complies with the applicable requirements of the laws in the U.A.E including the UAE Federal Law No. 32 of 2021 on Commercial Companies and the Decretal Federal Law No. 14 of 2018.

3.2 Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for certain financial instruments, including derivatives, investment properties and reserves for unit linked policies which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands AED, except where otherwise indicated.

The accounting policies used in the preparation of this consolidated financial statements are consistent with those audited annual consolidated financial statements for the year ended 31 December 2022.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

3.3 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries made up to 31 December each year. Control is achieved when the Bank:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.3 Basis of consolidation (continued)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss of each component of other comprehensive income is attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control is accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Parent.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.3 Basis of consolidation (continued)

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method of accounting, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 Investments in Associates and Joint Ventures (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

3.4 Revenue recognition

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision) and are recognised within 'interest income' and 'interest expense' in the consolidated statement of profit or loss.

(b) Income from Islamic financing and investments products

The Group's policy for recognition of income from Islamic financing and investments products is described in Note 3.18 (iii).

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.4 Revenue recognition (continued)

(c) Fee and commission income and expenses

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

i) Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

ii) Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(d) Dividend income

Dividend income from investments is recognised in the consolidated statement of profit or loss when the Group's right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of Income can be measured reliably).

(e) Gain or loss from redemption of medium-term loans

Gain or loss from redemption of medium-term loans represents the difference between the amount paid and the carrying amount of the liability on the date of redemption.

(f) Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.5 Leasing

The Group leases various branches, offices and premises for ATMs. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.5 Leasing (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

3.6 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in UAE Dirham (AED), which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

The presentation currency of the Group is the UAE Dirham (AED); however, for presentation purposes only, additional columns for US Dollar (USD) equivalent amounts have been presented in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows and certain notes to the consolidated financial statements using a fixed conversion rate of USD 1.00 = AED 3.673.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in AED using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's Currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign currency translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Bank losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Bank losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

Goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset affects profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

3.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost 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 cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank 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 capital work in progress are not depreciated.

Depreciation is recognised so as to write off the cost of assets or valuation of assets (other than land and capital work in progress), less their residual values over their useful lives, using the straight-line method, over the estimated useful lives of the respective assets, as follows:

	Years
Properties for own use	20 - 50
Furniture, fixtures, equipment and vehicles	4 - 15
Improvements to freehold properties and others	5 - 10

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.9 Property and equipment (continued)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3.10 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

3.11 Intangible assets

Intangible assets consists of software which are stated at cost less amortisation and any accumulated impairment losses. Amortisation is charged on a straight lines over the estimated useful lives of 5 to 10 years. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the consolidated statement of profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI, as described in note 43, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

i) Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

Debt instruments:

Debt instruments, including loans and advances and Islamic financing and investments products, are measured at amortised cost if both of the following conditions are met:

i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

i) Classification of financial assets (continued)

Debt instruments: (continued)

All other financial assets except for debt instruments carried at amortized cost are subsequently measured at fair value.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and Interest ('SPPI'), and that are not designated at fair value through profit or loss (FVTPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 43.

- Fair value through other comprehensive income (FVTOCI): financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVTOCI. Movements in carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment Income'.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Net investment income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they were presented separately in 'Net investment income'.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and an interest rate that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and there were no material reclassification during the year.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

i) Classification of financial assets (continued)

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. On disposal of these equity investments, any related balance within the FVTOCI reserve is reclassified to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Amortised cost and effective interest method

The amortised cost 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 using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

i) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 43 provides more detail of how the expected credit loss allowance is measured.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.13 Financial instruments (continued)

3.13.1 Financial assets (continued)

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. Where this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share / equity based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in the derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownerships, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retain a subordinated residual interest.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.13 Financial instruments (continued)

3.13.2 Financial liabilities

Classification and subsequent measurement

Financial liabilities (including deposits and balances due to banks, repurchase agreements with banks, medium term loans, subordinated debt and customer deposits) are initially recognised as fair value and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability).

  This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby for financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

When replacing an existing debt with a new debt from a new lender, the existing debt would be de-recognized in the financial statements, with the difference between the carrying amount and the fair value of the consideration paid recognized in profit or loss. However, when modifying or exchanging a debt while keeping the original lender, the International Financial Reporting Standards (IFRS Accounting Standards) have specific guidance on whether the transaction results in a de-recognition or is accounted for differently. This analysis is driven by the question whether the modification is "substantial" or whether the original debt has been replaced by another debt with "substantially" different terms.

3.13.3 Financial guarantee contracts and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Loan commitments are irrevocable commitments to provide credit under pre-specified terms and conditions.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in Note 43).

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.13 Financial instruments (continued)

3.13.4 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the consolidated statement of profit or loss;
- for financial assets that are monetary items and designated as at FVTOCI, any foreign exchange component is recognized in consolidated statement of profit or loss;
- for financial assets that are non-monetary items and designated as at FVTOCI, any foreign exchange component is recognised in the consolidated statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

3.14 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts or when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.15 Derivative financial instruments

The Group deals with derivatives such as forward foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased). Further details of derivatives financial instruments are disclosed in Note 41. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of profit or loss depends on the nature of the hedge relationship. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

(a) Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* (e.g. financial liabilities) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.16 Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 41 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the consolidated statement of profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the consolidated statement of profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the consolidate statement of profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss, and is included in the other income line item.

Amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects in the recognition of a non-financial assets or a non-financial liability, the gains and losses previously recognised in consolidated statement of comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in the consolidated statement of comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecase transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated statement of profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the consolidated statement of comprehensive income and accumulated under the heading of cumulative translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the cumulative translation reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operation.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.17 Insurance contracts (as a result of first-time adoption of IFRS 17)

To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks and that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and annual cohorts. IFRS 17 consists of 3 measurement models:

- The general measurement model (GMM), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin (CSM).
- The variable fee approach (VFA) is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate insurance contracts with direct participating features.
- The premium allocation approach is an optional simplified approach for the measurement of the liability for remaining coverage. An entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

The Group applies the premium allocation approach (PAA) to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Group performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Group expects all of its contracts to be eligible for PAA measurement model, except for long term individual life business which will be measured under the GMM. The Group plans to apply the GMM for long term individual life insurance policies and the (VFA) for unit linked insurance policies.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions.
- Initial stages of a new business acquired where the underlying contracts are onerous.
- Any other strategic decisions the board considers appropriate.

Insurance acquisition cash flows

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs. The Group estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Group then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.17 Insurance contracts (as a result of first-time adoption of IFRS 17) (continued)

Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money

For all contracts measured under the PAA, there is no allowance as the premiums are expected to be received within one year of the coverage period.

Liability for Incurred Claims ("LIC") adjusted for time value of money

The LIC is discounted and adjusted for the time value of money.

Insurance finance income and expenses

For contracts measured under the PAA, The Group applies the changes in discount rates and other financial changes within OCI. For contracts measured under the GMM and VFA, the Group includes all insurance finance income or expenses for the period in profit or loss.

Disaggregation of risk adjustment

The Group disaggregates changes in the risk adjustment for non financial risk between insurance service result and insurance finance income or expenses.

Discount rates

The Group uses the bottom-up approach for the groups of contracts measured under PAA and GMM and the top-down approach for the groups of contracts measured under VFA to derive the discount rates.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundaries of each contract in a group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - i. The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - ii. The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

3. Summary of material accounting policy information (continued)

3.17 Insurance contracts (as a result of first-time adoption of IFRS 17) (continued)

Reinsurance contracts held

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss. Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. The Group aggregates contracts for which there is a net gain at initial recognition, if any, contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently, and remaining contracts in the portfolio, if any.

Modification and derecognition

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

3.18 Islamic financing and investment products

In addition to conventional banking products, the Group offers its customers a variety of non-interest based banking products, which are approved by its Internal Shari'ah Supervision Board.

Any conventional terminologies that are used only for reasons of legal requirement, explanation and/or clarity will be considered as replaced with its Shari'ah compliant equivalent and will not impact the Islamic products or documentation in terms of their Shari'ah compliance.

All Islamic banking products are accounted for in conformity with the accounting policies described below:

(i) Definitions

The following terms are used in Islamic financing:

Murabaha

Murabaha is a sale of goods with an agreed upon profit mark-up on the cost.

The arrangement is referred to as a Murabaha to the Purchase Orderer where the company sells to a customer a commodity or an asset, which the company has purchased and acquired, based on a promise received from customer.

Commodity Murabaha

Commodity Murabaha is a financing transaction based on purchase and sale, whereby the bank purchases a commodity from a broker and sells it to the customer through the Murabaha agreement with a disclosed cost and profit. After signing the Murabaha agreement, the Customer sells the commodity to another broker through the bank, which acts as the Customer's messenger.

3. Summary of material accounting policy information (continued)

3.18 Islamic financing and investment products (continued)

Ijarah

Ijarah is a contract, or part of contractual agreement, that transfers the usufruct of an asset (the underlying asset) for a period of time in exchange for an agreed consideration, from lessor (the owner of underlying asset i.e. the company) to a lessee (the customer).

This may involve a hybrid Ijarah arrangement (known as Ijarah Muntahia Bittamleek) which, in addition to the Ijarah contract, includes a promise (by the company) resulting in transfer of the ownership of the underlying asset to the lessee (the customer) through a sale or gift – independent of Ijarah Contract.

Istisna'

Istisna' is a contract of sale of specified items to be manufactured or constructed, with an obligation on part of the manufacturer or builder (contractor) to deliver them to the customer upon completion.

Under this arrangement, the Group provides funds to a customer for construction of a real estate and/or manufacturing of any other assets. Istisna' requires properly specifying the finished product. The customer is required to arrange/employ all the resources required to produce the specified asset(s).

Mudarabah

Mudarabah is a partnership in profit whereby one party provides capital (Rab al-Mal) and the other party provides labour (Mudarib). The Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudarabah profit. In case of loss, the same is borne by Rab-al-Mal. The Mudarib is not liable for losses except in case of misconduct in respect to Mudarabah fund, negligence and breach of the terms of Mudarabah contract.

Wakalah

Wakalah is an act of one party (principal) delegating another party (the agent) to perform a permissible activity on his behalf. This may involve Al-Wakalah Bi Al-Istithmar, in which the Company appoints another person an agent to invest its funds with an intention to earn profit, 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 Wakalah.

(ii) Accounting policy

Islamic financing and investment products are measured at amortised cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income. The effective profit rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability, or, where appropriate, a shorter period. Allowance for impairment is made against Islamic financing and investment products when their recovery is in doubt taking into consideration IFRS requirements (as explained in Note 3.14.1). Islamic financing and investment products are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

(iii) Revenue recognition policy

Income from Islamic financing and investing assets are recognised in the consolidated statement of profit or loss using the effective profit method.

The calculation of the effective profit rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective profit rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.18 Islamic financing and investment products (continued)

(iii) Revenue recognition policy (continued)

Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the balance outstanding.

Commodity Murabaha

Murabaha income is recognised on effective profit rate basis over the period of the contract based on the balance outstanding.

Ijarah

Ijarah income is recognised on effective profit rate basis over the lease term.

Mudarabah

Income or losses on Mudarabah financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakalah

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

(iv) Islamic customers' deposits and distributions to depositors

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

Distributions to depositors (Islamic products) are calculated according to the Group's standard procedures and are approved by the Group's Internal Shari'ah Supervision Committee.

(v) Profit calculation, asset allocation, mechanics of equalization of returns investment account holders

- The Group has invested all the funds generated from Investment Account Holders in the Financing done by way of Shari'ah compliant structures including Murabaha , Commodity Murabaha, Wakala & Ijarah, and the returns are managed by the Bank in a central profit pool. Subsequently the profits are allocated to Investment Account Holders using the Internal Shariah Supervisory Committee approved profit allocation mechanism for Investment Account Holders.
- Profit Equalization Reserve: The Bank maintains a Profit Equalization Reserve (PER) for the purpose of smoothening the returns to the Mudarabah account holders. The PER is deducted from Mudarabah income before deduction of the Bank's share.
- Investment Risk Reserve: The Bank maintains an Investment Risk Reserve (IRR) for the purpose of protecting the Mudarabah account holders from any investment losses in the future. The IRR is deducted from Mudarabah income after deduction of the Bank's share.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3. Summary of material accounting policy information (continued)

3.19 Provision for employees' end of service indemnity

Provision is made for the employees' end of service indemnity in accordance with the UAE labour law for their periods of service up to the financial position date. In addition, in accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using an appropriate discount rate based on management's assumption of average annual increment/promotion costs. The present value of the obligation as at 31 December 2022 is not materially different from the provision computed in accordance with the UAE Labour Law.

The provision arising is disclosed as 'provision for employees' end of service indemnity' in the consolidated statement of financial position under 'other liabilities' (Note 18).

Pension and national contribution for UAE citizens are made by the Group in accordance with Federal Law No. 7 of 1999 and no further liability exists.

3.20 Acceptances

Acceptances are recognised as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

3.21 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and other balances with the UAE Central Bank (excluding statutory reserve) and money market placements which are maturing within three months from the value date of the deposit or placement. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 43.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Fair value of financial instruments

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

4.3 Derivative financial instruments

Subsequent to initial recognition, the fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models, recognised market accepted pricing models and from counterparty statements. When prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

4.4 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.5 Classification of the Equity Tier 1 instrument under IAS 32

The Bank has issued Additional Tier 1 (AT1) capital securities listed on the Luxembourg Stock Exchange, which have been classified as equity in accordance with IAS 32: Financial Instruments – Classification. The key features of the instruments are as follows:

- no fixed date of maturity;
- payment of interest and/or capital is solely at the discretion of the Bank;
- the instruments are subordinated and rank just above the ordinary shareholders; and
- these securities also allow the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of CBUAE.

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation. The Directors, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document consider that the Bank will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed for the purpose of determining the debt vs equity classification and appropriate independent advice was obtained in forming judgement around this matter.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

5. Cash and balances with central banks

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

	2023 AED'000	2022 AED'000
Cash on hand	**1,677,242**	1,249,478
Balances with central banks:		
Current accounts and other balances	**29,747,449**	24,413,114
Statutory deposits	**10,235,595**	5,223,338
Certificates of deposit	**100,000**	550,000
	41,760,286	31,435,930

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

	2023 AED'000	2022 AED'000
Within the UAE	**24,281,412**	13,859,877
Outside the UAE	**17,478,874**	17,576,053
	41,760,286	31,435,930

c) The Group is required to maintain statutory deposits with various central banks on demand, time and other deposits as per the statutory requirements. The statutory deposits are not available for use in the Group's day-to-day operations. Cash on hand and current account balances are non-interest-bearing. Certificate of deposits are at an average interest rate of 5.59% (31 December 2022: 4.5%) per annum.

6. Loans and advances to banks

a) The analysis of the Group's Loans and advances to banks is as follows:

	2023 AED'000	2022 AED'000 (Restated)
Demand	**2,393,637**	1,787,939
Time	**36,872,794**	27,386,634
	39,266,431	29,174,573
Less: Allowance for impairment	**(139,399)**	(120,936)
	39,127,032	29,053,637

b) The above represent loans and advances to:

	2023 AED'000	2022 AED'000 (Restated)
Banks within the UAE	**3,351,384**	5,677,721
Banks outside the UAE	**35,915,047**	23,496,852
	39,266,431	29,174,573
Less: Allowance for impairment	**(139,399)**	(120,936)
	39,127,032	29,053,637

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

6. Loans and advances to banks (continued)

c) Allowance for impairment movement:

	2023 AED'000	2022 AED'000
At beginning of the year	**120,936**	167,499
Charge/(reversal) during the year (Note 31)	**22,285**	(3,408)
Interest in suspense	**476**	1,878
Exchange rate and other adjustments	**(4,298)**	(451)
Written off during the year	**-**	(44,582)
At end of the year	**139,399**	120,936

7. Other financial assets

a) The analysis of the Group's other financial assets is as follows:

Financial assets measured at fair value

i) Financial assets measured at fair value through profit and loss (FVTPL):

	2023 AED'000	2022 AED'000
Debt securities	**1,500,907**	1,348,137
Equities		
Quoted	**22,530**	16,667
Unquoted	**1,132**	707
Funds	**1,310,716**	1,286,743
	2,835,285	2,652,254

ii) Financial assets measured at fair value through other comprehensive income (FVTOCI):

	2023 AED'000	2022 AED'000
Debt securities	**22,343,507**	6,934,735
Equities		
Quoted	**705,698**	699,587
Unquoted	**56,049**	63,117
Funds	**91,330**	80,072
	23,196,584	7,777,511
Total financial assets measured at fair value (A)	**26,031,869**	10,429,765

At 31 December 2023, debt securities held at FVTOCI includes the allowance for expected credit loss amounting to AED 9 million (31 December 2022: AED 5 million) and is recorded as stage 1.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

7. Other financial assets (continued)

iii) Securities measured at amortised cost:

	2023 AED'000	2022 AED'000
Debt securities	**9,996,660**	16,451,362
Less: Allowance for impairment	**(45,135)**	(28,415)
Total securities measured at amortised cost (B)	**9,951,525**	16,422,947
Total other financial assets [(A) + (B)]	**35,983,394**	26,852,712

b) The geographical analysis of other financial assets is as follows:

	2023 AED'000	2022 AED'000
Within the UAE	**21,407,372**	12,568,304
Outside the UAE	**14,621,157**	14,312,823
	36,028,529	26,881,127
Less: Allowance for impairment	**(45,135)**	(28,415)
	35,983,394	26,852,712

c) The analysis of other financial assets by industry sector is as follows:

	2023 AED'000	2022 AED'000
Government and public sector	**15,036,030**	14,602,907
Commercial and business	**1,574,185**	1,194,980
Financial institutions	**19,338,440**	11,021,809
Other	**34,739**	33,016
	35,983,394	26,852,712

d) The movement of the allowance for impairment of other financial assets measured at amortised cost during the year was as follows:

	2023 AED'000	2022 AED'000
At the beginning of the year	**28,415**	24,508
Charge during the year (Note 31)	**18,925**	3,946
Exchange rate and other adjustments	**-**	(39)
Written off during the year	**(2,205)**	-
At end of the year	**45,135**	28,415

e) The fair value of securities measured at amortised cost amounted to AED 9.72 billion as of 31 December 2023 (31 December 2022: AED 16.05 billion) (Note 43).

f) At 31 December 2023, certain financial assets measured at amortized cost, financial assets measured at fair value included debt securities with an aggregate carrying value of AED 864 million (fair value of AED 890 million) [31 December 2022: Carrying value of AED 1,497 million (fair value of AED 1,472 million)] which were collateralized as at that date against repurchase agreements with banks ("Repo") of AED 751 million (31 December 2022: AED 1,305 million).

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

7. Other financial assets (continued)

g) During the year ended 31 December 2023, the Group has reviewed its portfolio and sold certain other financial assets measured at amortized cost, resulting in a loss of AED 0.42 million (31 December 2022: Loss of AED 1.1 million) on the sale.

h) As of 31 December 2023, there are no significant concentrations of credit risk for debt securities measured at amortised cost. The carrying amount reflected above represents the Group's maximum exposure for credit risk for such assets.

i) During the year ended 31 December 2023, dividends received from financial assets measured at FVTOCI amounting to AED 48.5 million (31 December 2022: AED 34.6 million) were recognized as net investment income in the consolidated statement of profit or loss.

j) As of 31 December 2023, change in fair value of other financial assets measured at FVTPL resulted in gain of AED 16 million (31 December 2022: A Loss of AED 36 million) and was recognized as investment income in the consolidated statement of profit or loss (Note 29).

k) As of 31 December 2023, change in fair value of other financial assets measured at FVTOCI resulted in a gain of AED 56 million (31 December 2022: A loss of AED 1,269 million) and was recognised in the consolidated statement of comprehensive income.

l) During the year ended 31 December 2023, the Group purchased and disposed equity shares amounting to AED 306 million (31 December 2022: AED 818 million) and AED 327 million (31 December 2022: AED 778 million), respectively.

8. Loans and advances to customers

a) The analysis of the Group's loans and advances to customers is as follows:

	2023 AED'000	2022 AED'000
Loans	**88,030,519**	72,164,096
Overdrafts	**4,384,895**	4,655,624
Credit cards	**2,899,433**	2,277,205
Others	**913,077**	845,785
Total	**96,227,924**	79,942,710
Less: Allowance for impairment	**(2,624,687)**	(4,312,366)
	93,603,237	75,630,344

b) The analysis of loans and advances to customers by industry sector is as follows:

	2023 AED'000	2022 AED'000 (Restated)
Manufacturing	**17,899,380**	15,091,947
Construction	**7,030,366**	6,012,195
Trade	**22,015,486**	17,924,794
Transport and communication	**2,247,645**	2,353,057
Services	**9,765,307**	8,876,049
Financial institutions	**3,410,506**	2,661,414
Personal	**9,535,850**	8,462,730
Residential mortgage	**10,640,029**	8,805,210
Government and related enterprises	**13,683,355**	9,755,314
	96,227,924	79,942,710
Less: Allowance for impairment	**(2,624,687)**	(4,312,366)
	93,603,237	75,630,344

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

8. Loans and advances to customers (continued)

c) In certain cases, the Group continues to carry certain classified doubtful debts and delinquent accounts on its books which have been fully provided. Interest is accrued on most of these accounts for litigation purposes only. As at 31 December 2023 and 2022, legal proceedings are pursued for some of these accounts by the Group in the normal course of business.

d) The movements in the allowance for impairment and suspended interest on loans and advances to customers are as follows:

	2023 AED'000	2022 AED'000
At beginning of the year	**4,312,366**	6,094,077
(Reversal)/charge of impairment allowance for the year (Note 31)	**(1,238,374)**	298,051
Interest in suspense	**93,195**	211,319
Exchange rate and other adjustments	**18,993**	(49,525)
Written off during the year	**(561,493)**	(2,241,556)
At end of the year	**2,624,687**	4,312,366

e) The allowance for impairment includes a specific provision of AED 1,612 million for stage 3 loans of the Group as at 31 December 2023 (31 December 2022: AED 2,263 million).

f) At 31 December 2022, certain loans and advances measured at amortized cost with an aggregate carrying value of AED 1,059 million (fair value of AED 1,048 million) were collateralized as at that date against repurchase agreements with banks ("Repo") of AED 497 million. There were no repurchase agreements with banks outstanding as of 31 December 2023 related to loans.

9. Islamic financing and investment products

a) The analysis of the Group's Islamic financing and investment products is as follows:

	2023 AED'000	2022 AED'000
Financing		
Murabaha	**13,776,759**	12,970,564
Ijarah	**4,291,091**	4,380,730
	18,067,850	17,351,294
Investment		
Wakalah	**1,583,931**	372,294
Total	**19,651,781**	17,723,588
Less: Unearned income	**(2,550,451)**	(2,581,225)
Allowance for impairment	**(349,088)**	(469,466)
	16,752,242	14,672,897

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

9. Islamic financing and investment products

b) The analysis of Islamic financing and investment products by industry sector is as follows:

	2023 AED'000	2022 AED'000 (Restated)
Manufacturing	**1,382,668**	1,174,668
Construction	**2,220,566**	1,393,314
Trade	**1,917,377**	906,624
Transport and communication	**114,991**	121,458
Services	**2,639,136**	2,394,551
Financial institutions	**1,011,679**	957,899
Personal	**6,597,675**	6,840,636
Residential mortgage	**1,209,607**	1,386,626
Government and related enterprises	**2,558,082**	2,547,812
Total	**19,651,781**	17,723,588
Less: Unearned income	**(2,550,451)**	(2,581,225)
Allowance for impairment	**(349,088)**	(469,466)
	16,752,242	14,672,897

c) The movement in the allowance for impairment of Islamic financing and investment products are as follows:

	2023 AED'000	2022 AED'000
At beginning of the year	**469,466**	626,963
Reversal of impairment allowance for the year (Note 31)	**(96,973)**	(71,452)
(Reversal of)/profit in suspense	**(23,489)**	23,102
Exchange and other adjustment	**84**	71,014
Written off during the year	**-**	(180,161)
At end of the year	**349,088**	469,466

d) The allowance for impairment includes a specific provision of AED 300 million for stage 3 Islamic financing and investment exposure of the Group as at 31 December 2023 (31 December 2022: AED 439 million).

10. Other assets

	2023 AED'000	2022 AED'000 (Restated)
Interest receivable	**194,712**	194,257
Property acquired in settlement of debts	**383**	286,830
Prepayments	**163,159**	126,933
Positive fair value of derivatives (Note 41)	**2,011,891**	2,623,722
Credit card related receivables	**543,505**	526,003
Taxes paid in advance	**106,467**	102,345
Commission/income receivable	**40,128**	45,475
Advances to suppliers/vendors	**281,876**	158,179
Others	**837,613**	1,716,845
	4,179,734	5,780,589

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

11. Investment properties

	2023 AED'000	2022 AED'000
At fair value		
At beginning of the year	**464,840**	462,829
Purchases	**143,873**	-
Change in fair value during the year (Note 30)	**13,005**	2,011
Sale of investment property	**(119,671)**	-
At end of the year	**502,047**	464,840

All of the Group's investment properties are freehold properties and located in the U.A.E these were classified as level 3 in the fair value hierarchy.

Valuation processes

The Group's investment properties were valued as at 31 December 2023 by independent external professionally qualified valuers who hold recognized relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The fair value is in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS").

Valuation techniques underlying management's estimation of fair value

Valuation of the Group's investment properties was determined using either of Discounted Cash Flow ("DCF"), Residual valuation, and sales comparison methods based on the available inputs.

The DCF method involves forecasting future cash flows from the property based on precisely stated market-based assumptions by adopting an appropriate discount rate and capitalisation rate. Residual method considers construction costs for development, capitalisation rate based on the location, size, quality of the properties and market data, operational cost estimates to maintain the property for its useful life and estimated vacancy rates. Sales comparison method considers the value of comparable properties in proximity adjusted for differences in key attributes such as property size and quality of interior fittings.

Sensitivity on the fair value of investment properties based on each methodology is as follows:

For the sales comparison method, if the prices of the comparable properties were to increase / decrease by 1% and considering all other assumptions to remain constant, the fair value would increase / decrease by +1%/-1% (31 December 2022: the fair value would increase /decrease by +1%/-1%)

For the DCF method, if the capitalisation rate were to decrease / increase by 0.25% and considering all other assumptions to remain constant, the fair value would increase / decrease by 2.5% / 2.3% respectively (31 December 2022: the fair value would increase / decrease by 2.6% / 2.4% respectively).

As at 31 December 2023, for the residual method, if the capitalisation rates were to decrease / increase by 0.25% and considering all other assumptions to remain constant, the fair value would increase / decrease by 3.8%/3.5%.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

12. Property and equipment

	Properties for own use AED'000	Furniture, fixtures, equipment and vehicles AED'000	Improvements to freehold properties and others AED'000	Right-of-use assets AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
At 31 December 2021	1,189,032	417,972	232,336	168,500	52,950	2,060,790
Additions during the year	177	31,707	40,135	42,089	31,924	146,032
Transfers	3,945	1,512	(818)	-	(4,639)	-
Disposals/write-offs/elimination	(2,730)	(36,936)	(23,266)	(60,212)	-	(123,144)
At 31 December 2022	**1,190,424**	**414,255**	**248,387**	**150,377**	**80,235**	**2,083,678**
Additions during the year	**6**	**53,545**	**28,948**	**40,500**	**22,140**	**145,139**
Transfers	**962**	**3,250**	**9,390**	**-**	**(13,602)**	**-**
Disposals/write-offs/elimination	**(438)**	**(34,032)**	**(11,756)**	**(32,976)**	**-**	**(79,202)**
At 31 December 2023	**1,190,954**	**437,018**	**274,969**	**157,901**	**88,773**	**2,149,615**
Accumulated depreciation and impairment						
At 31 December 2021	253,242	219,741	63,520	98,191	-	634,694
Charge for the year (Note 32)	29,906	47,779	33,441	38,160	-	149,286
Disposals/write-offs/elimination	(1,826)	(30,127)	(17,068)	(46,766)	-	(95,787)
At 31 December 2022	**281,322**	**237,393**	**79,893**	**89,585**	**-**	**688,193**
Charge for the year (Note 32)	**29,772**	**53,696**	**35,695**	**36,875**	**-**	**156,038**
Disposals/write-offs/elimination	**(306)**	**(31,412)**	**(11,658)**	**(32,975)**	**-**	**(76,351)**
At 31 December 2023	**310,788**	**259,677**	**103,930**	**93,485**	**-**	**767,880**
Carrying amount						
At 31 December 2023	**880,166**	**177,341**	**171,039**	**64,416**	**88,773**	**1,381,735**
At 31 December 2022	909,102	176,862	168,494	60,792	80,235	1,395,485

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

13. Intangible assets

	Software AED'000
Cost	
At 31 December 2021	669,654
Additions during the year	130,282
Disposals/write-offs/elimination	(312,289)
At 31 December 2022	487,647
Additions during the year	**247,039**
Disposals/write-offs/elimination	**(77,365)**
At 31 December 2023	**657,321**
Accumulated amortization and impairment	
At 31 December 2021	388,318
Charge for the year (Note 32)	124,202
Disposals/write-offs/elimination	(255,540)
At 31 December 2022	256,980
Charge for the year (Note 32)	**113,845**
Disposals/write-offs/elimination	**(74,115)**
At 31 December 2023	**296,710**
Carrying amount	
At 31 December 2023	**360,611**
At 31 December 2022	230,667

14. Deposits and balances due to banks

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

	2023 AED'000	2022 AED'000
Time	**23,646,123**	16,559,285
Demand	**8,473,770**	8,805,301
Overnight	**5,215,155**	3,034,870
	37,335,048	28,399,456

a) The above represent deposits and balances due to banks from:

	2023 AED'000	2022 AED'000
Banks within the UAE	**5,884,355**	4,443,908
Banks outside the UAE	**31,450,693**	23,955,548
	37,335,048	28,399,456

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

15. Repurchase agreements with banks

	2023 AED'000	2022 AED'000
Repurchase agreements	**1,062,992**	1,926,182

The above repurchase agreements with banks are at an average interest rate of 5.7% (2022: 3.87%) per annum. Collateral provided as security against these Repo borrowings are disclosed in Note 7(f) and 8(f) to the consolidated financial statements.

16. Customers' deposits

a) The analysis of customers' deposits is as follows:

	2023 AED'000	2022 AED'000
Current and other accounts	**76,292,432**	62,482,606
Saving accounts	**6,650,330**	5,786,550
Time deposits	**49,666,909**	30,558,166
	132,609,671	98,827,322

b) Analysis by industry sector:

	2023 AED'000	2022 AED'000
Government and public sector	**12,961,466**	7,528,997
Commercial and business	**84,724,846**	62,473,668
Personal	**30,758,554**	25,463,727
Financial institutions	**3,898,712**	3,104,591
Other	**266,093**	256,339
	132,609,671	98,827,322

17. Islamic customers' deposits

a) The analysis of Islamic customers' deposits is as follows:

	2023 AED'000	2022 AED'000
Current and other accounts	**5,292,200**	3,876,915
Saving accounts	**225,748**	232,925
Time deposits	**8,104,536**	10,869,101
	13,622,484	14,978,941

The amount under time deposits include AED 0.95 million relating to Investment risk reserve (31 December 2022: AED 11 million).

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

17. Islamic customers' deposits (continued)

b) Analysis by industry sector:

	2023 AED'000	2022 AED'000
Government and public sector	**2,623,643**	2,588,271
Commercial and business	**8,516,616**	7,859,337
Personal	**2,325,452**	2,497,201
Financial institutions	**156,773**	2,034,132
	13,622,484	14,978,941

18. Other liabilities

	2023 AED'000	2022 AED'000 (Restated)
Interest payable	**829,669**	473,596
Negative fair value of derivatives (Note 41)	**1,399,096**	1,699,015
Accrued expenses	**1,249,435**	955,209
Income received in advance	**672,350**	612,987
Pay orders issued	**961,370**	641,711
Provision for employees' end of service indemnity*	**284,207**	253,599
Provision for taxation	**86,050**	112,661
Lease liability	**52,583**	48,983
Others	**1,845,605**	1,951,573
Allowance for impairment – off balance sheet**	**790,644**	871,247
	8,171,009	7,620,581

*Provision for employees' end of service indemnity included AED 259 million (2022: AED 231 million) for estimated amounts required to cover employees' end of service indemnity at the reporting date as per UAE Labour Law.

The remaining amount of provision for employees' end of service indemnity relates to overseas branches and subsidiaries outside UAE and is computed based on the local laws and regulations of respective jurisdictions.

**The net reversal of allowance for impairment on off balance sheet and acceptance during the year ended 31 December 2023 amounted to AED 81 million (2022: allowance for impairment of AED 314 million) Refer to note 31.

19. Medium-term loans

	2023 AED'000	2022 AED'000
Medium term notes	5,158,701	5,223,565

The maturities of the medium-term notes (MTNs) issued under the programme are as follows:

Year	2023 AED'000	2022 AED'000
2023	-	424,148
2024	**4,332,006**	3,944,001
2025	**727,299**	752,951
2027	**62,800**	64,800
2029	**36,596**	37,665
	5,158,701	5,223,565

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

19. Medium-term loans (continued)

	2023 AED'000	2022 AED'000
U.S. Dollars	**3,753,460**	3,637,992
Japanese Yen	**312,840**	409,822
Australian Dollars	**-**	50,004
Chinese Yuan	**1,060,259**	1,091,235
South African Rand	**32,142**	34,512
	5,158,701	5,223,565

The Group established a Euro Medium Term Note (EMTN) programme for USD 5 billion (AED 18.37 billion) under an agreement dated 15 March 2010.

During the year ended 31 December 2023, medium-term notes of AED 546 million were redeemed (31 December 2022: AED 2 billion).

20. Insurance and investment contract liabilities and reinsurance contract assets

	2023 AED'000	2022 AED'000 (Restated)
Insurance and investment contract liabilities		
Liabilities for Incurred Claims (LIC) under Premium Allocation Approach (PAA)		
Present value of their future cashflows	**3,167,348**	2,537,246
Risk adjustment for non-financial risk	**234,587**	194,707
	3,401,935	2,731,953
Liabilities for Incurred Claims (LIC) not under Premium Allocation Approach (PAA)	**2,673**	3,383
Liabilities for Remaining Coverage (LRC)		
Excluding loss component	**816,881**	882,251
Loss component	**22,678**	534
	839,559	882,785
Investment contract liabilities	**1,090,790**	1,000,352
	5,334,957	4,618,473
Reinsurance contract assets		
Incurred claims for contracts under Premium Allocation Approach (PAA)		
Present value of future cashflows	**2,463,108**	2,020,931
Risk adjustment for non-financial risk	**187,756**	158,603
	2,650,864	2,179,534
Remaining coverage excluding loss-recovery component	**101,908**	192,112
Remaining coverage loss recovery component	**2,226**	-
Incurred claims for contracts not under PAA	**1,865**	2,046
	2,756,863	2,373,692

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

21. Issued and paid-up capital and other reserves

(a) Issued and paid-up capital

As at 31 December 2023, 200,609,830 ordinary shares of AED 10 each (2022: 200,609,830 ordinary shares of AED 10 each) were fully issued and paid up.

Other reserves:

The movement in these reserves is as follows:

	Statutory and legal reserve AED'000	General reserve AED'000	Insurance finance income and expenses reserve AED'000	Impairment reserve – General* AED'000	Currency translation reserve AED'000	Investment revaluation reserve AED'000	Total AED'000
2022							
As at 1 January (Restated)	1,012,320	312,000	4,936	-	(116,116)	(547,489)	665,651
Other comprehensive income/(loss)	-	-	2,444	-	(14,688)	(1,279,796)	(1,292,040)
Transfer from investment revaluation reserve to retained earnings	-	-	-	-	-	13,504	13,504
Transfer to statutory and legal reserves	15,174	-	-	-	-	-	15,174
As at 31 December (Restated)	1,027,494	312,000	7,380	-	(130,804)	(1,813,781)	(597,711)
2023							
As at 1 January (Restated)	**1,027,494**	**312,000**	**7,380**	**-**	**(130,804)**	**(1,813,781)**	**(597,711)**
Other comprehensive income/(loss)	**-**	**-**	**1,074**	**-**	**(3,511)**	**43,250**	**40,813**
Transfer from OCI reserve to retained earnings	**-**	**-**	**-**		**-**	**(5,854)**	**(5,854)**
Transfer to impairment reserve - General	**-**	**-**	**-**	**1,130,000**	**-**	**-**	**1,130,000**
As at 31 December	**1,027,494**	**312,000**	**8,454**	**1,130,000**	**(134,315)**	**(1,776,385)**	**567,248**

*** Impairment reserve – General**

Impairment reserve – General is a non-distributable reserve held to meet provision requirement under Central Bank of UAE (CBUAE) circular 28/2010.

As per Guidance Note to Banks for the Implementation of IFRS 9 issued by CBUAE, in case where provision for impairment required under CBUAE circular 28/2010 exceed expected credit loss under IFRS 9, the excess amount is required to be transferred to a non-distributable impairment reserve.

	2023 AED'000	2022 AED'000
Regulatory general provision - under CBUAE circular 28/2010	**2,382,553**	2,160,494
Aggregate expected credit loss for stage 1 and 2	**1,395,215**	2,374,672
Impairment reserve - General	**1,130,000**	-
As at 31 December	**2,525,215**	2,374,672

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

21. Issued and paid-up capital and other reserves (continued)

(b) Statutory and legal reserves

In accordance with UAE Federal Law No. 32 of 2021, 10% of net profit for the year is to be transferred to the statutory reserve. Such transfers to reserves may cease when they reach the levels established by the respective regulatory authorities (in the UAE, this level is 50% of the issued and paid up share capital). The legal reserve relates to the Group's foreign operations. Neither the statutory reserve nor the legal reserve is available for distribution.

(c) General reserve

The general reserve is computed pursuant to the Bank's Articles of Association and can be used for the purposes determined by the Annual General Meeting.

(d) Currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. AED), are recognised directly in consolidated statement of comprehensive income and accumulated in the Currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the Currency translation reserve. Exchange differences previously accumulated in the Currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to the consolidated statement of profit or loss on the disposal or reduction of net equity via distribution of the foreign operation.

(e) Investments revaluation reserve

Investments revaluation reserve shows the effects from the fair value measurement of financial assets measured at FVTOCI. The change in fair value for the year amounted to a gain of AED 56 million (2023: loss of AED 1,269 million) and was reflected in the consolidated statement of comprehensive income [Note 7(k)].

(f) Dividends on equity instruments

At the Annual General Meeting of the shareholders held on 22 February 2023, the shareholders approved a cash dividend of 90% for the year ended 31 December 2022 (31 December 2021: Cash dividend of 10%) of the issued and paid up capital amounting to AED 1.8 billion (31 December 2021: AED 201 million).

22. Non-controlling interests

	2023 AED'000	2022 AED'000 (Restated)
At beginning of the year	**909,383**	814,092
Share of profit for the year	**87,060**	92,595
Share of other comprehensive income for the year	**13,671**	38,842
Dividend paid	**(32,955)**	(32,826)
Transaction with NCI	**(8,250)**	(3,320)
Non-controlling interests of a subsidiary	**15,522**	-
At end of the year	**984,431**	909,383

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

23. Contingent liabilities and commitments

(a) The analysis of the Group's contingent liabilities and commitments is as follows:

	2023 AED'000	2022 AED'000
Guarantees	**26,275,568**	31,075,131
Letters of credit	**13,286,749**	15,698,423
Commitments for capital expenditure	**263,099**	183,940
At end of the year	**39,825,416**	46,957,494

(b) Irrevocable undrawn credit facilities commitments as at 31 December 2023 amounted to AED 11.96 billion (2022: AED 10.59 billion).

The analysis of contingent liabilities and commitments by geographic region and industry sector is shown in Note 38 to the consolidated financial statements.

24. Interest income

	2023 AED'000	2022 AED'000
Loans and advances to customers	**6,330,191**	3,856,803
Loans and advances to banks	**2,723,576**	1,248,546
Central banks	**1,282,955**	351,223
Securities measured at amortised cost	**519,903**	534,711
Financial assets measured at fair value	**1,109,868**	423,658
	11,966,493	6,414,941

25. Income from Islamic financing and investment products

	2023 AED'000	2022 AED'000
Financing		
Murabaha	**776,676**	461,820
Ijarah	**285,674**	184,550
Other	**10,902**	1,327
	1,073,252	647,697
Investment		
Wakalah	**153,926**	23,943
Other	**63,710**	-
	217,636	23,943
Total	**1,290,888**	671,640

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

26. Interest expense

	2023 AED'000	2022 AED'000 (Restated)
Customers' deposits	**3,283,288**	1,379,559
Deposits and balances due to banks	**1,363,864**	573,851
Medium-term loans	**260,149**	287,867
Subordinated debt	**144,260**	15,631
	5,051,561	2,256,908

27. Distribution to depositors – Islamic products

This represents the share of income allocated to depositors of the Group. The allocation and distribution to depositors is approved by the Group's Internal Shari'ah Supervision Committee.

28. Net fee and commission income

	2023 AED'000	2022 AED'000 (Restated)
Fee and commission income		
Commission income	**699,576**	619,618
Fees and charges on banking services	**957,937**	792,283
Credit card related fees	**2,405,662**	2,168,032
Others	**176,571**	212,363
Total	**4,239,746**	3,792,296
Fee and commission expenses		
Commission expense	**(33,053)**	(72,625)
Insurance commission	**(583,969)**	(477,858)
Credit card related expenses	**(2,004,181)**	(1,749,568)
Others	**(185,994)**	(146,020)
Total	**(2,807,197)**	(2,446,071)
Net fee and commission income	**1,432,549**	1,346,225

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

29. Net investment income

	2023 AED'000	2022 AED'000
Net realised gain from sale of other financial assets measured at FVTPL	**63,697**	38,757
Unrealised gain/(loss) on other financial assets measured at FVTPL [Note 7(j)]	**15,805**	(36,119)
Dividend income from other financial assets measured at FVTPL	**1,384**	858
Net realised (loss)/gain from sale of other financial assets measured at amortised cost/ FVTOCI	**(99,711)**	53,783
Dividend income from other financial assets measured at FVTOCI [Note 7 (i)]	**48,537**	34,615
	29,712	91,894

30. Other income, net

	2023 AED'000	2022 AED'000 (Restated)
Foreign exchange gains	**667,607**	420,397
Insurance related income	**794,511**	738,363
Gain on disposal of property and equipment	**56,324**	341
Unrealised (loss)/gain on derivatives	**(8,548)**	58,612
Unrealised gain on investment properties (Note 11)	**13,005**	2,011
Others	**108,257**	78,813
	1,631,156	1,298,537

31. Net impairment reversal/ (charge)

	2023 AED'000	2022 AED'000 (Restated)
Loans and advances to banks [Note 6(c)]	**22,285**	(3,408)
Securities measured at amortised cost [Note 7(d)]	**18,925**	3,946
Financial assets measured at FVTOCI	**4,003**	21
Loans and advances to customers [Note 8(d)]	**(1,238,374)**	298,051
Islamic financing and investment products [Note 9(c)]	**(96,973)**	(71,452)
Other assets	**(4,184)**	(18,745)
Change in impairment allowance on off-balance sheet items	**(76,936)**	332,374
Loans and advances to customers including Islamic financing and investment products written off	**249,199**	275,215
Recovery of loans and advances to customers including Islamic financing and investment products previously written off	**(246,739)**	(348,233)
	(1,368,794)	467,769

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

32. General and administrative expenses

	2023 AED'000	2022 AED'000 (Restated)
Salaries and employees related expenses	**1,929,004**	1,765,340
Depreciation on property and equipment (Note 12)	**156,038**	149,286
Amortisation on intangible assets (Note 13)	**113,845**	124,202
Social contribution	**533**	941
Others	**1,142,435**	831,065
	3,341,855	2,870,834

33. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the year:

	2023 AED'000	2022 AED'000 (Restated)
Profit for the year (AED'000) (Attributed to owners of the Parent)	**8,589,356**	3,729,315
Weighted average number of shares in issue	**200,609,830**	200,609,830
Basic earnings per share (AED)	**42.82**	18.59

34. Proposed dividends

The board of Directors has proposed 185% cash dividend for the year ended 31 December 2023 at their meeting held on 29 January 2024.

35. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts and other balances with central banks, certificates of deposits, balances with banks and money market placements which are maturing within three months from the date of the deposit or placement, as below:

	2023 AED'000	2022 AED'000
Cash on hand	**1,677,242**	1,249,478
Current accounts and other balances with central banks	**29,747,449**	24,413,114
Certificates of deposit maturing within 3 months	**100,000**	550,000
Loans and advances to banks with original maturity of less than 3 months	**6,581,769**	12,292,614
	38,106,460	38,505,206

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

36. Investment in subsidiaries and associate

At 31 December 2023 and 31 December 2022, Mashreqbank PSC Group (the "Group") comprises of the Bank and the following direct subsidiaries:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%) 31 December 2023	Proportion of ownership interest (%) 31 December 2022	Principal activity
Subsidiary				
Sukoon Insurance (PJSC)*	United Arab Emirates	64.76%	64.46%	Insurance & reinsurance
Mindscape FZ LLC	United Arab Emirates	100.00%	100.00%	IT services
Mashreq Securities LLC	United Arab Emirates	100.00%	100.00%	Brokerage
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00%	100.00%	Asset and fund management
Mashreq Al Islami Finance Company (PJSC)	United Arab Emirates	99.80%	99.80%	Islamic finance company
Injaz Services FZ LLC	United Arab Emirates	100.00%	100.00%	Service provider
Invictus Limited	Cayman Islands	100.00%	100.00%	Special purpose vehicle
Al Taqania Employment Services One Person Company LLC	United Arab Emirates	100.00%	100.00%	Employment services
Al Kafaat Employment Services One Person Company LLC	United Arab Emirates	100.00%	100.00%	Employment services
Mashreq Global Network	Egypt	100.00%	100.00%	Employment services
Mashreq Global Services (SMC Private) Limited	Pakistan	100.00%	100.00%	Employment services
Shorouq Commodities Trading DMCC	United Arab Emirates	100.00%	100.00%	Trading
IDFAA Payment Services LLC	United Arab Emirates	100.00%	100.00%	Payment service provider
Osool – A Finance Company (PJSC)**	United Arab Emirates	100.00%	100.00%	Finance
Mashreq Bank Pakistan Limited	Pakistan	100.00%	-	Banking
Mashreq Neo venture	United Arab Emirates	100.00%	-	Corporate venture capital company

* On 18 May 2023 ("the acquisition date"), the Group's subsidiary Sukoon Insurance (PJSC) acquired a 93.0432% of the share capital and voting interests of ASCANA for a cash consideration of AED 186 million towards identifiable net assets of AED 208 million and NCI acquired of AED 14.4 million.

** Under liquidation.

As at 31 December 2023 and 31 December 2022, the Bank had the following associates and joint venture:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Principal activity
Associate			
Emirates Digital Wallet LLC	United Arab Emirates	23.61%	Digital wallet service
Joint venture			
Noon Digital Pay LLC	United Arab Emirates	51.00%	Digital wallet service

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

37. Related party transactions

a) Certain related parties (such as, directors, key management personnel and major shareholders of the Group and companies of which they are principal owners) are customers of the Group in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

b) Related party balances included in the consolidated statement of financial position are as follows:

	2023 AED'000	2022 AED'000
Balances with major shareholders		
Loans and advances to customers	**2,841,401**	3,216,692
Deposits/financial instruments under lien	**791,963**	1,198,230
Letter of credit and guarantees	**1,383,801**	1,449,059
Balances with directors and key management personnel		
Loans and advances to customers	**123,089**	135,248
Deposits/financial instruments under lien	**391,189**	364,835
Letter of credit and guarantees	**251**	251
Balances with associates and joint venture		
Deposits/financial instruments under lien	**76,625**	99,372
Letter of credit and guarantees	**25,000**	25,000

c) Profit for the period includes related party transactions as follows:

	2023 AED'000	2022 AED'000
Transactions with major shareholders		
Interest income	**89,069**	104,007
Interest expense	**3,650**	962
Other income	**17,448**	33,427
Transactions with directors and key management personnel		
Interest income	**2,843**	3,419
Interest expense	**724**	601
Other income	**2**	302
Transactions with associates and joint venture		
Other income	**-**	2

d) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

e) Compensation of key management personnel comprises of salaries, bonuses and other benefits amounted in total to AED 76 million (2022: AED 55 million).

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

38. Concentration of assets, liabilities and off-balance sheet items

	31 December 2023			31 December 2022 (Restated)		
	Assets AED'000	**Liabilities AED'000**	**Letter of credit and guarantees AED'000**	Assets AED'000	Liabilities AED'000	Letter of credit and guarantees AED'000
a) Geographic regions						
UAE	**129,440,550**	**138,304,360**	**22,739,543**	97,060,722	95,648,455	31,705,164
Other Middle East countries	**51,263,373**	**25,315,371**	**5,204,523**	41,399,887	32,311,837	4,139,766
O.E.C.D.	**30,466,026**	**18,201,266**	**5,802,239**	32,031,472	24,529,048	5,016,388
Others	**28,810,660**	**26,841,822**	**5,816,012**	26,753,319	20,247,181	5,912,236
	239,980,609	**208,662,819**	**39,562,317**	197,245,400	172,736,521	46,773,554
b) Industry sectors						
Government and public sector	**31,071,637**	**15,873,822**	**-**	26,129,404	10,508,040	63,269
Commercial and business	**69,880,726**	**98,982,252**	**24,753,810**	60,188,914	79,056,754	31,833,750
Personal	**26,563,307**	**34,442,362**	**195,587**	23,397,222	28,716,545	214,634
Financial institutions	**110,365,897**	**58,139,572**	**14,612,920**	85,166,896	52,971,671	14,614,287
Others	**2,099,042**	**1,224,811**	**-**	2,362,964	1,483,511	47,614
At 31 December 2023	**239,980,609**	**208,662,819**	**39,562,317**	197,245,400	172,736,521	46,773,554

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

39. Segmental information

IFRS 8 – Operating Segments – requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Reportable segments

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's CEO (the Group's chief operating decision maker) in order to allocate resources to the segment and to assess its performance. Information reported to the Group's CEO for the purpose of resource allocation and assessment of performance is based on following strategic business units offering products and services to different markets.

The Group's reportable segments under IFRS 8 are therefore as follows:

a) Wholesale segment comprises of corporate and commercial banking. It also includes global Financial Institution and corporate business. It offers complete suite of corporate banking products such as Trade finance, contracting finance, project finance, investment banking, cash management, correspondent banking and Islamic products.

b) The Retail segment includes products and services offered to individuals or small businesses within U.A.E and Egypt. The product offerings to customers include, current accounts, savings accounts, fixed deposits, investment products, "Mashreq Millionaire" deposits, personal loans, mortgage loans, business loans, credit cards with unique loyalty programs, bank assurance, overdraft, priority banking, SME, private banking, wealth management services and Islamic products.

c) The Treasury & Capital Markets segment consists of customer flow business and proprietary business and funding centre management. Customer flow business includes transactions for foreign exchange, derivatives, margin FX, futures, hedging, investment products, domestic equities (brokerage) and asset management undertaken on behalf of customers. The proprietary business includes trading and investing activity undertaken on behalf of the Group.

d) Insurance & Others consist of the insurance subsidiary, Sukoon Insurance Group whose product offerings include life, health, motor, marine cargo and hull, aviation, fire and general accident, engineering, liability and personal lines insurance. It also consists of Head office and certain investments and assets held centrally due to their strategic significance to the Group

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of general and administrative expenses, allowances for impairment and tax expenses.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

39. Segmental information (continued)

	31 December 2023				
	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	3,370,323	2,656,619	697,415	985,293	7,709,650
Fee and commission, net investment and other income	1,095,906	1,296,875	294,931	405,705	3,093,417
Operating income	4,466,229	3,953,494	992,346	1,390,998	10,803,067
General and administrative expenses	(1,118,236)	(1,717,776)	(154,591)	(351,252)	(3,341,855)
Operating profit before impairment					7,461,212
Net impairment reversal					1,368,794
Profit before taxes					8,830,006
Tax expense					(153,590)
Profit for the year					8,676,416
Attributed to:					
Owners of the Parent					8,589,356
Non-controlling interests					87,060
					8,676,416
Segment Assets	126,500,499	28,896,099	59,412,605	25,171,406	239,980,609
Segment Liabilities	113,844,776	63,595,569	18,706,914	12,515,560	208,662,819

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

39. Segmental information (continued)

	31 December 2022 (Restated)				
	Wholesale banking AED'000	Retail AED'000	Treasury and capital markets AED'000	Insurance & others AED'000	Total AED'000
Net interest income and earnings from Islamic products	2,226,099	1,658,328	355,392	330,126	4,569,945
Fee and commission, net investment and other income	947,539	1,178,426	262,685	348,006	2,736,656
Operating income	3,173,638	2,836,754	618,077	678,132	7,306,601
General and administrative expenses	(1,025,628)	(1,494,899)	(145,398)	(204,909)	(2,870,834)
Operating profit before impairment					4,435,767
Net impairment charge					(467,769)
Profit before taxes					3,967,998
Tax expense					(146,088)
Profit for the year					3,821,910
Attributed to:					
Owners of the Parent					3,729,315
Non-controlling interests					92,595
					3,821,910
Segment Assets	95,593,672	25,718,464	48,696,901	27,236,363	197,245,400
Segment Liabilities	84,194,570	52,527,388	18,153,742	17,860,821	172,736,521

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

39. Segmental information (continued)

Geographical information

The Group operates in four principal geographical areas - UAE. (Country of domicile), other Middle East Countries (Kuwait, Bahrain, Egypt and Qatar), O.E.C.D. (USA and UK) and other countries (India and Hong Kong).

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Operating income from external customers*		Non-current assets**	
	2023 AED'000	2022 AED'000 (Restated)	**2023 AED'000**	2022 AED'000
UAE	**8,183,177**	5,918,441	**2,165,513**	2,005,865
Other Middle East countries	**1,791,784**	921,280	**55,013**	57,079
O.E.C.D.	**669,561**	324,746	**14,424**	20,045
Other countries	**158,545**	142,134	**9,443**	8,003
	10,803,067	7,306,601	2,244,393	2,090,992

*Operating income from external customers is based on the Group's operational centres.

**Non-current assets include property & equipment, intangible assets and investment properties. The additions to non-current assets during the year relate to investment properties, property & equipment and intangible assets which has been disclosed in note 11, 12 and 13. Refer to note 12 and 13 for depreciation and amortisation, and note 11 for the sale of investment property.

Revenue from major products and services

Revenue from major products and services are disclosed in Notes 24, 25, 28, 29 and 30 in the consolidated financial statements.

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 31 December 2023 and 2022.

40. Classification of financial assets and liabilities

a) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2023:

	FVTPL AED'000	**FVTOCI AED'000**	**Amortised cost AED'000**	**Total AED'000**
Financial assets:				
Cash and balances with central banks	**-**	**-**	**41,760,286**	**41,760,286**
Loans and advances to banks	**-**	**-**	**39,127,032**	**39,127,032**
Financial assets measured at fair value	**2,835,285**	**23,196,584**	**-**	**26,031,869**
Securities measured at amortised cost	**-**	**-**	**9,951,525**	**9,951,525**
Loans and advances to customers	**-**	**-**	**93,603,237**	**93,603,237**
Islamic financing and investment products	**-**	**-**	**16,752,242**	**16,752,242**
Acceptances	**-**	**-**	**3,536,930**	**3,536,930**
Other assets	**2,011,891**	**-**	**1,616,341**	**3,628,232**
Total	**4,847,176**	**23,196,584**	**206,347,593**	**234,391,353**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

40. Classification of financial assets and liabilities (continued)

a) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2023 (continued):

	FVTPL AED'000	**FVTOCI AED'000**	**Amortised cost AED'000**	**Total AED'000**
Financial liabilities:				
Deposits and balances due to banks	-	-	**37,335,048**	**37,335,048**
Repurchase agreements with banks	-	-	**1,062,992**	**1,062,992**
Customers' deposits	-	-	**132,609,671**	**132,609,671**
Islamic customers' deposits	-	-	**13,622,484**	**13,622,484**
Acceptances	-	-	**3,536,930**	**3,536,930**
Medium-term loans	-	-	**5,158,701**	**5,158,701**
Subordinated debt	-	-	**1,831,027**	**1,831,027**
Other liabilities	**1,399,096**	-	**5,729,306**	**7,128,402**
Total	**1,399,096**	-	**200,886,159**	**202,285,255**

b) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2022:

(Restated)	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central banks	-	-	31,435,930	31,435,930
Loans and advances to banks	-	-	29,053,637	29,053,637
Financial assets measured at fair value	2,652,254	7,777,511	-	10,429,765
Securities measured at amortised cost	-	-	16,422,947	16,422,947
Loans and advances to customers	-	-	75,630,344	75,630,344
Islamic financing and investment products	-	-	14,672,897	14,672,897
Acceptances	-	-	9,310,974	9,310,974
Other assets	2,623,722	-	2,769,411	5,393,133
Total	5,275,976	7,777,511	179,296,140	192,326,627
Financial liabilities:				
Deposits and balances due to banks	-	-	28,399,456	28,399,456
Repurchase agreements with banks	-	-	1,926,182	1,926,182
Customers' deposits	-	-	98,827,322	98,827,322
Islamic customers' deposits	-	-	14,978,941	14,978,941
Acceptances	-	-	9,310,974	9,310,974
Medium-term loans	-	-	5,223,565	5,223,565
Subordinated debt	-	-	1,831,027	1,831,027
Other liabilities	1,699,015	-	4,942,319	6,641,334
Total	1,699,015	-	165,439,786	167,138,801

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

41. Derivatives

In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes. These derivative financial instruments are based on observable market inputs - i.e. Level 2:

(a) Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counter-parties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal. For currency swaps, fixed interest payments and principal are exchanged in different currencies. For cross-currency rate swaps, principal, fixed and floating interest payments are exchanged in different currencies.

(b) Credit Default Swap (CDS) is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if a debt instrument goes into default and fails to pay.

(c) Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are marked to market daily.

(d) Forward rate agreements are similar to interest rate futures, but are individually negotiated. They call for a cash settlement for the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

(e) Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

The Group measures a net Credit Value Adjustment (CVA) on outstanding OTC derivative contracts to account for market value of 'credit risk' due to any failure to perform on contractual agreements by a counterparty. CVA is computed on all OTC derivatives asset classes including Foreign Exchange, Interest Rates, Equities and Commodities etc. CVA ensure derivatives transactions are priced or/and adequate reserves are built to account for expected credit losses in the derivatives portfolios. CVA is a function of our expected exposure to counterparts, probability of default and recovery rates. Internally the Group manages and monitor the exposure to this risk by defining controls and limits around a 'peak future exposure' (PFE) measure and in many cases by collateralizing facilities under Credit Support Annex (CSA).

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

41. Derivatives (continued)

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 - 6 months AED'000	6 - 12 months AED'000	1 - 5 years AED'000	Over 5 years AED'000
31 December 2023								
Derivatives held for trading								
Forward foreign exchange contract	260,010	231,590	65,196,411	55,681,660	3,415,064	4,607,736	1,418,011	73,940
Foreign exchange options (bought)	1,825	1,825	2,155,314	1,937,040	218,274	-	-	-
Foreign exchange options (sold)	-	-	1,195,570	1,079,103	116,467	-	-	-
Interest rate swaps	1,711,800	1,039,475	32,173,976	177,091	663,471	703,557	15,683,937	14,945,920
Credit default swaps	-	3,001	55,095	-	-	-	36,730	18,365
Futures contracts purchased (Customer)	2,561	12,451	1,092,242	1,089,731	2,511	-	-	-
Futures contracts sold (Customer)	592	1,319	115,030	113,484	1,546	-	-	-
Futures contracts purchased (Bank)	12,488	2,561	1,106,127	1,103,616	2,511	-	-	-
Futures contracts sold (Bank)	1,318	592	115,030	113,484	1,546	-	-	-
Total	1,990,594	1,292,814	103,204,795	61,295,209	4,421,390	5,311,293	17,138,678	15,038,225
Held as fair value hedge								
Cross-currency swap	21,297	106,282	1,735,231	17,447	104,864	719,007	816,448	77,465
Total	2,011,891	1,399,096	104,940,026	61,312,656	4,526,254	6,030,300	17,955,126	15,115,690

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

41. Derivatives (continued)

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Up to 3 months AED'000	3 - 6 months AED'000	6 - 12 months AED'000	1 - 5 year AED'000	Over 5 years AED'000
31 December 2022								
Derivatives held for trading								
Forward foreign exchange contract	560,057	380,540	73,311,757	59,363,324	6,767,806	4,060,475	3,045,147	75,005
Foreign exchange options (bought)	9,713	9,703	448,587	115,515	333,072	-	-	-
Foreign exchange options (sold)	-	-	210,948	47,908	163,040	-	-	-
Interest rate swaps	1,933,379	1,148,720	28,167,946	534,870	43,384	2,052,489	12,185,314	13,351,889
Credit default swaps	-	-	-	-	-	-	-	-
Futures contracts purchased (Customer)	75,556	369	818,767	733,023	85,744	-	-	-
Futures contracts sold (Customer)	909	3,143	192,811	192,811	-	-	-	-
Futures contracts purchased (Bank)	369	75,556	818,767	733,023	85,744	-	-	-
Futures contracts sold (Bank)	3,143	909	192,811	192,811	-	-	-	-
Total	2,583,126	1,618,940	104,162,394	61,913,285	7,478,790	6,112,964	15,230,461	13,426,894
Held as fair value hedge								
Cross-currency swap	40,596	80,075	1,822,469	-	31,220	16,528	1,696,574	78,147
Total	2,623,722	1,699,015	105,984,863	61,913,285	7,510,010	6,129,492	16,927,035	13,505,041

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

42. Capital management

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

- To comply with the capital requirements set by the Basel Committee on Banking Supervision (BCBS) and the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base and capital buffer to support the development of its business and provide adequate cushion to withstand a variety of stress scenarios and/or unforeseen risks.

Regulatory capital

On June 26, 2012, the BCBS issued the Basel III rules on the information banks must publicly disclose when detailing the composition of their capital, which set out a framework to ensure that the components of banks capital bases are publicly disclosed in standardised formats across and within jurisdictions for banks subject to Basel III.

Basel III is designed to materially improve the quality of regulatory capital and introduces a new minimum common equity capital requirement. Basel III also raises the minimum capital requirements and introduces capital conservation and countercyclical buffers to induce banks to hold capital in excess of regulatory minimums.

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The Parent company and overseas banking operations are directly supervised by their local regulators. In February 2017, the Central Bank of the UAE published enhanced regulatory capital rules vide notifications 52 and 60/2017 which implemented Basel III in the UAE.

The Group's regulatory capital is analysed into two tiers, in line with the Central Bank regulation:

- Tier 1 capital, split into Common equity tier 1 (CET 1) which includes issued and paid-up share capital, retained earnings, statutory and legal reserves, accumulated other comprehensive income and Additional tier 1 (AT 1) comprising of instrument issued by banks which are eligible for inclusion on AT 1 and are not included in CET 1.
- Tier 2 capital, which includes general provisions (Collective allowance for impairment subject to a limit of 1.25% of Credit Risk Weighted Assets), qualifying subordinated liabilities not part of CET 1.
- Regulatory adjustment is applied in CET 1, AT 1 and Tier 2 capital consisting mainly of goodwill and other intangibles, deferred tax assets, cash flow hedge reserve. Additionally, threshold deduction is applied in case of exceeding the threshold limit.

As per the Central bank regulation for Basel III, the Bank is required to comply with the following minimum capital requirement:

i) CET1 must be at least 7% of risk weighted assets (RWA);
ii) Tier 1 capital must be at least 8.5% of risk weighted assets (RWA); and
iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of risk weighted assets (RWA).
iv) In addition, banks are required to maintain a capital conservation buffer (CCB) of 2.5% of risk weighted assets (RWA) and Countercyclical Buffer (CCYB), calculated based on geographic composition of the bank's portfolio of credit exposures, in the form of CET 1.

The Group's assets are risk-weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

42. Capital management (continued)

Regulatory capital (continued)

As part of its Capital Management, the Bank conducts an Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate to the Central Bank of the UAE that the Bank has implemented methods and procedures to ensure adequate capital resources and action plans in stress conditions, with due attention to all material risks. The Central Bank of the UAE conducts a Supervisory Review and Evaluation Process (SREP) to assess the soundness of the Bank's ICAAP.

The Group's policy is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Historically the Group has followed a conservative dividend policy to increase capital from internal resources to meet future growth. To further strengthen the capital base and to ensure effective management of capital, the Group has issued medium-term floating rates notes.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Group's management of capital during the year.

a) The Group's regulatory capital positions as at 31 December 2023 and 31 December 2022 were as follows:

	2023 AED'000	2022 AED'000
Common equity Tier 1 capital		
Issued and paid-up capital	**2,006,098**	2,006,098
Statutory and legal reserve	**1,027,494**	1,027,494
General reserve	**312,000**	312,000
Currency translation reserve	**(134,315)**	(130,804)
Investments revaluation reserve	**(1,767,385)**	(1,813,781)
Retained earnings	**22,946,832**	19,232,928
Less: Regulatory deductions	**(313,924)**	(214,364)
Total (A)	**24,067,800**	20,419,571
Additional Tier 1 capital	**1,101,900**	1,101,900
Total Tier 1 capital (B)	**25,169,700**	21,521,471
Tier 2 capital		
Subordinated debt	**1,831,027**	1,831,027
Collective impairment allowance	**1,985,461**	1,800,412
Total	**3,816,488**	3,631,439
Total capital base (C)	**28,986,188**	25,152,910
Credit risk	**158,836,848**	144,032,961
Market risk	**2,881,726**	2,655,216
Operational risk	**13,813,001**	10,319,049
Total risk-weighted assets (D)	**175,531,575**	157,007,226
Capital adequacy ratio [(C)/(D) x 100]	**16.51%**	16.02%

The capital adequacy ratio is calculated after deduction of proposed dividend as required by the Standards for Capital Adequacy issued by UAE Central Bank.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

42. Capital management (continued)

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based on the inherent risk it carries. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Finance and Risk Groups, and is subject to review by the Bank's Assets and Liabilities Committee (ALCO) as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

43. Risk management

The Risk Management Group ("RMG") is responsible for identifying, analysing, measuring, and managing risk to ensure that the Group (i) remains within its risk appetite; and (ii) generates sustainable risk-adjusted returns as mandated by the shareholders.

The Group is exposed to the following material risks:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk
- Climate risk

The Group's ability to consistently foster a robust risk management culture and framework is an important factor in its financial strength and stability.

Risk Management Framework

The Board of Directors (the "Board") through the Board Risk Committee ("BRC") has overall responsibility for establishment and oversight of the Group's risk management framework. They are assisted by various management committees including the Executive Management Committee ("ExCo"), Enterprise Risk Committee ("ERC"), Assets and Liabilities Committee ("ALCO"), Regulatory Compliance Committee ("RCC") and Information Security Committee ("ISC"). These committees are appointed by the Board and assist the Board in management of risk in the Group including review and approval of all risk management policies.

While the Board carries ultimate responsibility for overall risk management, the ERC assists the Board/Board Risk Committee in discharging these responsibilities including identifying, analyzing, assessing, treating, monitoring and communicating the risks associated with all activities, functions and processes within the Group including recommending the Group's overall Risk Appetite.

The ERC has overall responsibility for oversight of risk management framework and risk appetite of the Group. The Enterprise Risk Committee is also responsible for the approval of credit policies and procedures of the Group and to ensure adherence to the approved policies and close monitoring of different risks within the Group. The Enterprise Risk Committee also approves policy exceptions, establishes, and monitors various concentration limits (such as limits for country, industry sector etc.) as part of the risk appetite and reviews credit portfolio to manage asset quality.

The Risk Management Group ("RMG") is independent of business groups and is led by a Chief Risk Officer ("CRO") with responsibility for deploying an enterprise-wide risk management and oversight of all material risks with the Group. The RMG is primarily responsible for defining the framework for management of all material risks within the Group.

The Internal Audit Group ("IAG") acts as the third line of defence function within the Group, independent from both the business units ("first line of defence") and Group Operational risk team ("second line of defence"). IAG provides independent assurance to stakeholders and senior management on compliance with all risk policies and procedures in the Group and the effectiveness of the risk management processes. This is undertaken through periodic reviews of all risk-taking units within the Bank, in addition to Risk Management.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Capital Management

The Group's capital management approach is designed to ensure that regulatory requirements are met at all times and that the Group's operating activities, including its branches and subsidiaries, are capitalized in line with the Group's risk appetite, target ratios and in accordance with local regulatory requirements.

The Bank's capital management approach further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the Group's budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the Group's annual Internal Capital Adequacy Assessment Process ICAAP. The capital management approach is set and governed primarily by the ALCO.

Risk Appetite & Stress Testing

The key to the Group's long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and strategy.

Risk Appetite for the Group is set and approved by the Group's Board. The Group's risk appetite is disseminated down to business groups in alignment with business strategies for these groups.

Stress testing is a key management tool within the Group used to evaluate the sensitivity of current and forward risk profiles to shocks of varying nature and severity. Stress testing within the Group is governed by the Group's stress testing policy which sets out the approaches for stress testing and associated roles and responsibilities. The primary governance committee overseeing risk appetite and stress testing is the ERC.

Internal Capital Adequacy Assessment Process (ICAAP)

The purpose of the ICAAP is to inform the Board of the ongoing assessment of the bank's risks, how the bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

This entails the computation of the bank's aggregated Capital and the monitoring of the Group's capital adequacy under a variety of stressed scenarios to assess and report the impact upon the Group's capital buffer (measured as available capital less required risk capital) and recommending actions, as warranted. The risk assessment is approved by the Board as part of the ICAAP submission.

Risks that are explicitly assessed through ICAAP are credit risk, market risk, operational risk, concentration risk, funding cost risk, business risk and interest rate risk in the banking book. Preserving the capital position remains a priority from both a regulatory and management viewpoint.

Credit risk management

Credit risk is the risk of suffering financial loss as a result of any of the Group's customers failing or unwilling to fulfil their contractual obligations to the Group. Credit risk arises mainly from loan and advances, loan commitments arising from such lending activities, trade finance and treasury activities but can also arise from financial guarantees, letter of credit, endorsements and acceptances. The Group is also exposed to other credit risks arising from investments in debts instruments, derivatives as well as settlement balances with market counterparties.

The Chief Credit Officer ("CCO") of the Group is responsible for overseeing all aspects of credit risk management supported by a team of experienced and trained credit risk managers. The CCO and credit risk managers have delegated authority within the risk management framework to approve credit transactions and manage credit risk on an ongoing basis.

Credit risk is the single largest risk from the Group's business of extending Loans and Advances (including loan commitments, LCs and LGs) and carrying out investment in securities and debts; management therefore carefully manages its exposure to credit risk. Credit risk management and controls are centralized under the CCO function with regular governance and monitoring exercised by the Board Risk Committee ("BRC"), Board Credit Committee ("BCC") and Enterprise Risk Committee ("ERC").

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Credit risk management (continued)

Specifically, BCC reviews and approves credit proposals that are beyond lending authorities delegated to management by the Board of Directors. In addition, BRC and BCC monitors key elements of the Bank's credit risk profile relative to the Bank's risk appetite. The Board Committees are supported by ERC through detailed review and monitoring of credit portfolio, including exposure concentrations.

An Early Alert Committee ("EAC") is also in place to review and proactively identify potential problematic exposures within CIBG and IBG business groups and determine appropriate strategies. The EAC, along with the IFRS 9 Forum (a forum in place to oversee all aspects of Mashreq's IFRS 9 framework), plays an important role in ensuring that credit fundamentals are linked to determination of Significant Increase in Credit Risk (SICR) and staging for IFRS 9 purposes.

Loans and advances (including loan commitments, LCs and LGs)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, 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, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using the concept of Expected Loss which requires the following measures:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

Under IFRS 9, expected loss is replaced by Expected Credit Loss (ECL), which is based on macro adjusted PD, LGD & EAD measures. Additionally, it also captures deterioration and lifetime likelihood of defaults. Over the course of 2023, IFRS 9 PD models were validated with additional data points in alignment with Model Risk Management policy. In addition, a separate IFRS 9 PD model for Qatar Corporate and Qatar SME were newly developed.

Credit risk grading

The Group uses specific internal rating models tailored to various industry segments/counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data input into the model. The credit grades are calibrated such that risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a 6 and 8 rating grade is lower than the difference in the PD between a 18 and 20 rating grade.

The Risk Rating system for performing assets ranges from 1 to 25, each grade being associated with a PD. Non-performing borrowers are rated 50, 60, 70 and 80, corresponding to NAUR (Non-accrual Under Restructuring), Substandard, Doubtful, Loss classifications and 99 for Write-off.

Borrower risk ratings are mapped into the following 5 Grades:

Grade	Risk Rating	Definition
Grade 1	1-12	Low Risk
Grade 2	13-17	Satisfactory Risk
Grade 3	18-20	High Risk
Grade 4	21-25	Watch List
Grade 5	50,60,70,80	Impaired

The Group uses a bespoke Financial Institutions ("FI") internal rating model to support the lending process. The FI Rating model consists of two major components: (i) the Financial – Macro Profile Analysis Assessment; and (ii) Business Analysis Assessment. Apart from the Financial and Business analysis factors, the model incorporates sovereign caps and consideration of group and government support, where applicable.

The FI rating model is utilized to rate all FI borrowers including those that are not externally rated. This rating is used to compute ECL staging for FI borrowers.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition 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, then the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Amongst other factors, the identification of SICR is measured via a change in one year probability of default between the date of inception of facility and the date of IFRS 9 ECL run. Other factors include restructuring and account irregularities.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime basis.
- Financial assets in Stage 3 are measured at an amount equal to lifetime expected credit losses or specific provision.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Significant increase in credit risk (SICR)

The Group considers a financial asset to have experienced SICR when a significant change in one year probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date. In addition, a range of qualitative criteria are also considered.

Quantitative criteria

Corporate loans:

For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following quantitative factors:

- Operating performance
- Operating efficiency
- Debt service/ covenant breaches
- Distressed restructure
- Account performance/irregularities
- Liquidity assessment
- Capital structure.

Retail:

For Retail portfolio, if the borrowers meet one or more of the following criteria:

- Adverse findings for an account/ borrower as per credit bureau data;
- Loan rescheduling before 30 Days Past Due (DPD);
- Accounts overdue between 30 and 90 days.

Treasury:

- Significant increase in probability of default of the underlying treasury instrument;
- Significant change in the investment's expected performance & behavior of borrower (collateral value, payment holiday, payment to income ratio etc.).

43. Risk management (continued)

Expected credit loss measurement

Qualitative criteria:

Corporate Loans

For corporate loans, the following is also considered in determining a significant increase in probability of default:

- Net worth erosion
- Fraudulent activity
- Significant operations disruption
- Departure of key members of management
- Industry outlook
- Income stability Unavailable/inadequate financial information/financial statements
- Qualified report by external auditors
- Pending significant litigation
- Increase in operational risk
- Continued delay and non-cooperation by the borrower in providing key relevant documentation

The Group has not used the low credit exemption for any financial instruments in the year ended 31 December 2023 and 31 December 2022.

Backstop:

A borrower that is more than 30 days past due on its contractual obligations is presumed to have a significantly increased credit risk as a backstop unless this presumption can be reasonably rebutted based on supportable forward-looking information. The borrower is also flagged in the system and is therefore subject to closer monitoring.

Definition of default and credit-impaired assets

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

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria:

According to the Basel definition, default is considered to have occurred with regard to particular obligors when either one of the following events have taken place:

- The Bank considers that the obligor is unlikely to pay its credit obligation to the Group in full without recourse by the Bank to actions like realizing security (if held).
- The Bank puts the credit obligation on a non-accrued status.
- The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
- The Bank sells the credit obligation at a material credit-related economic loss.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
- The Bank has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation to the Banking Group.
- The obligor is past due more than 90 days on any material credit obligation to the Banking Group.

43. Risk management (continued)

Definition of default and credit-impaired assets (continued)

The criteria above have been applied to all financial instruments held by the Group and is consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Group has adopted a forward exposure method for computing the ECL for each facility. The bank has opted for a monthly granular computation of PD, EAD and LGD:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

Lifetime expected credit losses are expected credit loss resulting from all probable default events over the expected lifetime of the financial instrument. Expected credit losses are the probability-weighted average of credit losses and the weighing factor is the Probability of Default (PD) for a lifetime.

During economically challenging periods, the Group may choose to increase the scenario weightage of the pessimistic scenario under guidance from respective regulatory authorities in order to maintain higher level of ECL provisions & lower the scenario weightage of pessimistic scenario once a favourable trend is noticed in the macro economic climate.

The Group continues to closely monitor and manage, as required, direct and indirect exposure and impacts from the ongoing geopolitical situation and resultant market disruption. The group is cognizant of the regional economic impacts resulting from global inflationary pressures and monetary policy tightening and has been actively managing down exposure to countries that are most susceptible. The macroeconomic factors used in the IFRS 9 models take into account such information. The macroeconomic data for IFRS 9 PDs term structure is getting updated every 6 months. The update was last made in October 2023 based on the September 2023 macros.

With respect to the Russia and Ukraine conflict, the Group's exposure to Russia and Ukraine is to Financial Institution in these countries. The Group continues to monitor the day-to-day situation with respective counterparties and is actively managing any direct exposure.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques (continued)

The Group has implemented risk rating models since 2005 which has enabled the Bank to rate borrowers based on their financial and qualitative information. The segmentation of these models was revisited in 2021 to introduce a new corporate model to rate large corporates. Ratings from rating models are used as an input into IFRS 9 macroeconomic models to derive a PD term structure for each rating grade in the IFRS 9 ECL computation.

In 2023, the Group has validated the IFRS 9 macroeconomic models for with additional data points in alignment with Model Risk Management policy. In addition, a separate IFRS 9 PD model for Qatar Corporate and Qatar SME were newly developed.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayments loans, this is based on the contractual repayments owed by the borrower over a 12 month period or lifetime basis.
- For revolving committed products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining committed limit by the time of default.
- For contingent products like LC & LG, the exposure at default is predicted using a Credit conversion factor inline with the Basel regulatory guidelines.

The LGDs are determined based on the factors which impact recoveries made following default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set by different borrower segments (e.g. Corporates, Financial Institutions etc.) in order to reflect differences in asset structures, collection strategies and historical recovery experience.

The Group has revised the Wholesale LGD framework during 2020 in order to reflect recent recovery experience and additional admissible security types. Forward-looking economic information is also included in determining the 12-month and lifetime PD.

Forward looking information incorporated in the ECL models

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

These economic variables and their associated impact on the ECL parameters vary by geographies and borrower types. Impact of these economic variables on historical default rates is determined by performing statistical regression analysis to understand the relationship between these variables. Once the relationship has been established, the bank utilizes macroeconomic data for these variables from Moody's (Economy.com) and other recognized external sources (e.g. IMF) to obtain historical information and forecasts under base, optimistic and pessimistic scenarios. Expert judgement is applied in the process where the economic relationship between variables is weak or the forecast is deemed imprudent.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Forward looking information incorporated in the ECL models (continued)

For unbiased and probability-weighted ECL calculation, the Group uses probabilities of 60%, 20% and 20% for baseline, optimistic and pessimistic macro-economic scenario respectively based on expert judgement in order to represent majority weight to base and an even weight to the rest.

Following are the macroeconomic variables used in the IFRS 9 PD models across different geographies:

1) Current Account to GDP
2) Equity Index (Abu Dhabi)
3) Budget Expenditure to GDP
4) Oil Price
5) GDP
6) Industrial Production.

Sensitivity analysis

The Group has calculated ECL for wholesale borrowers at an individual financial instrument level and portfolio level for retail borrowers.

The most significant macroeconomic variables affecting the ECL allowance in respect of retail and wholesale credit portfolios are as follows:

- Current Account to GDP (Change)
- Abu Dhabi Equity Index (Change)
- Oil price

The impact on ECL due to changes in the forecasted probabilities of default as a result of variations in Abu Dhabi Equity Index, Oil Price and Current Account to GDP (three key macro-factors used within IFRS 9 PD Models) by +10% / -10% in each scenario would result in an ECL reduction by AED 52 million and an ECL increase by AED 65 million respectively.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial assets which are subject to ECL. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

	2023				2022			
Credit risk exposures relating to on balance sheet assets:	**Stage 1 12-month AED'000**	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Cash and balances with Central Bank	**41,760,286**	**-**	**-**	**41,760,286**	31,435,930	-	-	31,435,930
Loss allowance	**-**	**-**	**-**	**-**	-	-	-	-
Carrying amount	**41,760,286**	**-**	**-**	**41,760,286**	31,435,930	-	-	31,435,930
Loans and advances to banks						(Restated)		
Investment-grade	**14,912,035**	**343,226**	**-**	**15,255,261**	4,365,051	121,999	-	4,487,050
BB+& below	**11,196,684**	**5,424,443**	**-**	**16,621,127**	9,199,596	2,597,768	-	11,797,364
Unrated	**5,776,792**	**1,603,514**	**9,737**	**7,390,043**	11,724,876	1,140,088	25,195	12,890,159
	31,885,511	**7,371,183**	**9,737**	**39,266,431**	25,289,523	3,859,855	25,195	29,174,573
Loss allowance	**(66,007)**	**(63,655)**	**(9,737)**	**(139,399)**	(71,219)	(31,496)	(18,221)	(120,936)
Carrying amount	**31,819,504**	**7,307,528**	**-**	**39,127,032**	25,218,304	3,828,359	6,974	29,053,637

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	2023			
Loans and advances to customers	**Stage 1 12-month AED'000**	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Grading 1	**25,807,530**	**83,130**	**-**	**25,890,660**
Grading 2	**50,859,521**	**2,100,416**	**-**	**52,959,937**
Grading 3	**12,858,257**	**2,176,072**	**-**	**15,034,329**
Grading 4	**28,974**	**674,447**	**-**	**703,421**
Grading 5	**-**	**-**	**1,639,577**	**1,639,577**
	89,554,282	**5,034,065**	**1,639,577**	**96,227,924**
Loss allowance	**(553,661)**	**(459,159)**	**(1,611,867)**	**(2,624,687)**
Carrying amount	**89,000,621**	**4,574,906**	**27,710**	**93,603,237**
Islamic financing and investment products				
Grading 1	**2,314,718**	**-**	**-**	**2,314,718**
Grading 2	**6,281,248**	**58,730**	**-**	**6,339,978**
Grading 3	**7,295,092**	**607,163**	**-**	**7,902,255**
Grading 4	**-**	**226,424**	**-**	**226,424**
Grading 5	**-**	**-**	**317,955**	**317,955**
	15,891,058	**892,317**	**317,955**	**17,101,330**
Loss allowance	**(23,284)**	**(26,232)**	**(299,572)**	**(349,088)**
Carrying amount	**15,867,774**	**866,085**	**18,383**	**16,752,242**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	2022			
Loans and advances to customers	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Grading 1	17,984,218	26,895	-	18,011,113
Grading 2	51,797,008	2,047,580	-	53,844,588
Grading 3	2,760,209	2,264,071	-	5,024,280
Grading 4	34,242	704,854	-	739,096
Grading 5	-	-	2,323,633	2,323,633
	72,575,677	5,043,400	2,323,633	79,942,710
Loss allowance	(560,263)	(1,488,855)	(2,263,248)	(4,312,366)
Carrying amount	72,015,414	3,554,545	60,385	75,630,344
Islamic financing and investment products				
Grading 1	2,774,119	-	-	2,774,119
Grading 2	6,223,093	61,713	-	6,284,806
Grading 3	5,359,168	166,352	-	5,525,520
Grading 4	-	19,063	-	19,063
Grading 5	-	-	538,855	538,855
	14,356,380	247,128	538,855	15,142,363
Loss allowance	(20,796)	(9,787)	(438,883)	(469,466)
Carrying amount	14,335,584	237,341	99,972	14,672,897

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	2023			
Credit risk exposures relating to on balance sheet assets:	**Stage 1 12-month AED'000**	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Securities measured at amortised cost				
Investment - grade	**6,058,428**	**-**	**-**	**6,058,428**
BB+ & below	**3,938,232**	**-**	**-**	**3,938,232**
Unrated	**-**	**-**	**-**	**-**
	9,996,660	**-**	**-**	**9,996,660**
Loss allowance	**(45,135)**	**-**	**-**	**(45,135)**
Carrying amount	**9,951,525**	**-**	**-**	**9,951,525**
Financial assets measured at FVTOCI (debt securities)				
Investment - grade	**21,659,736**	**-**	**-**	**21,659,736**
BB+ & below	**689,419**	**-**	**-**	**689,419**
Unrated	**3,370**	**-**	**-**	**3,370**
	22,352,525	**-**	**-**	**22,352,525**
Loss allowance	**(9,018)**	**-**	**-**	**(9,018)**
Carrying amount	**22,343,507**	**-**	**-**	**22,343,507**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

Credit risk exposures relating to on balance sheet assets:	2022 Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Securities measured at amortised cost				
Investment - grade	12,472,587	-	-	12,472,587
BB+ & below	3,976,570	-	-	3,976,570
Unrated	-	-	2,205	2,205
	16,449,157	-	2,205	16,451,362
Loss allowance	(26,210)	-	(2,205)	(28,415)
Carrying amount	16,422,947	-	-	16,422,947
Financial assets measured at FVTOCI (debt securities)				
Investment - grade	6,238,239	-	-	6,238,239
BB+ & below	701,496	-	-	701,496
Unrated	19	-	-	19
	6,939,754	-	-	6,939,754
Loss allowance	(5,019)	-	-	(5,019)
Carrying amount	6,934,735	-	-	6,934,735

The table below shows the maximum exposure to credit risk for financial assets that are not subject to impairment.

	2023 AED'000	2022 AED'000
Trading assets		
- Debt securities	**1,500,907**	1,348,137
- Derivatives	**1,990,594**	2,583,126
Hedging derivatives	**21,297**	40,596
	3,512,798	3,971,859

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Credit risk management (continued)

Risk management in the current economic scenario

The Group continues to closely monitor and manage, as required, direct and indirect exposure and impacts from the ongoing geopolitical situation and resultant market disruption. The group is cognizant of the regional economic impacts resulting from global inflationary pressures and monetary policy tightening and has been actively managing down exposure to countries that are most susceptible. The macroeconomic factors used in the IFRS 9 models take into account such information. The macroeconomic data for IFRS 9 PDs is typically updated every 6 months. The update was last made in October 2023 based on September 2023 macros.

In addition, the Group continues to review the appropriateness of ECL provisions in light of changes in macroeconomic environment, risk profile as well as any actual and expected increase in credit risk.

Collateral and other credit enhancements

Collateral against loans and advances to customers is generally held in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing. Collateral generally is not held over amounts loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The Group maintains substantial real estate and cash collateral, which also forms majority of the collateral base. The benefit of such collateral gets reflected in ECL through the LGD estimates. Allocation of both general and specific collateral is done at a facility level to estimate LGD.

Financial instruments such as Repo transactions, embedded leverage note programs, etc. receive no ECL allocation on account of them being fully collateralized after application of relevant haircuts.

The Group closely monitors collateral held for financial assets considered to be credit impaired, as it becomes more likely that the Group will take possession of the collateral to offset potential credit losses. Financial assets that are credit impaired and related collateral held in order to offset potential losses are shown below. The table below details the fair value of the collateral which is updated regularly:

	Loans and advances to customers & Islamic financing and investment products		**Loans and advances to banks**	
	2023 AED'000	2022 AED'000	**2023 AED'000**	2022 AED'000
Against individually impaired:				
Properties	**252,345**	496,374	-	-
Cash	**43,856**	58,283	-	-
Others	**76,813**	167,527	-	-
	373,014	722,184	-	-
Against not impaired:				
Properties	**22,997,331**	22,530,951	-	-
Debt securities	**2,550,686**	2,909,034	-	-
Equities	**1,171,573**	1,464,618	-	-
Cash	**8,004,986**	8,758,311	**2,447,118**	1,747,955
Others	**1,415,819**	1,190,352	**-**	-
	36,140,395	36,853,266	**2,447,118**	1,747,955
Total	**36,513,409**	37,575,450	**2,447,118**	1,747,955

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Loss allowance

The following tables explain the changes in the loss allowances for the year ended 31 December 2023 and 31 December 2022:

Loans and advances to banks:	**2023** Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	**71,219**	**31,496**	**18,221**	**120,936**
Transfers				
Transfer from Stage 1 to Stage 2	**(58,152)**	**58,152**	**-**	**-**
Transfer from Stage 2 to Stage 1	**193**	**(193)**	**-**	**-**
New financial assets originated	**102,068**	**-**	**-**	**102,068**
Changes in PDs/LGDs/EADs	**(49,321)**	**(25,800)**	**(8,484)**	**(83,605)**
Write-offs	**-**	**-**	**-**	**-**
Loss allowance as at 31 December	**66,007**	**63,655**	**9,737**	**139,399**

Loans and advances to banks:	2022 Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	92,130	14,417	60,952	167,499
Transfers				
Transfer from Stage 1 to Stage 2	(31,173)	31,173	-	-
New financial assets originated	87,387	-	-	87,387
Changes in PDs/LGDs/EADs	(77,125)	(14,094)	1,851	(89,368)
Write-offs	-	-	(44,582)	(44,582)
Loss allowance as at 31 December	71,219	31,496	18,221	120,936

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2023 and 31 December 2022 (continued):

Loans and advances to customers	**2023** Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	**560,263**	**1,488,855**	**2,263,248**	**4,312,366**
Transfers				
Transfer from Stage 1 to Stage 2	**(110,159)**	**110,159**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(34,434)**	**-**	**34,434**	**-**
Transfer from Stage 2 to Stage 1	**9,235**	**(9,235)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(31,699)**	**31,699**	**-**
Transfer from Stage 3 to Stage 1	**9**	**-**	**(9)**	**-**
Transfer from Stage 3 to Stage 2	**-**	**48,560**	**(48,560)**	**-**
New financial assets originated	**316,545**	**-**	**-**	**316,545**
Changes in PDs/LGDs/EADs	**(187,798)**	**(1,147,481)**	**(107,452)**	**(1,442,731)**
Write-offs	**-**	**-**	**(561,493)**	**(561,493)**
Loss allowance as at 31 December	**553,661**	**459,159**	**1,611,867**	**2,624,687**

Loans and advances to customers	2022 Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	511,719	1,235,239	4,347,119	6,094,077
Transfers				
Transfer from Stage 1 to Stage 2	(116,013)	116,013	-	-
Transfer from Stage 1 to Stage 3	(34,044)	-	34,044	-
Transfer from Stage 2 to Stage 1	20,858	(20,858)	-	-
Transfer from Stage 2 to Stage 3	-	(30,491)	30,491	-
Transfer from Stage 3 to Stage 2	-	97,250	(97,250)	-
New financial assets originated	368,034	-	-	368,034
Changes in PDs/LGDs/EADs	(190,291)	91,702	190,400	91,811
Write-offs	-	-	(2,241,556)	(2,241,556)
Loss allowance as at 31 December	560,263	1,488,855	2,263,248	4,312,366

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2023 and 31 December 2022 (continued):

	2023			
Islamic financing and investment products	**Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January	**20,796**	**9,787**	**438,883**	**469,466**
Transfers				
Transfer from Stage 1 to Stage 2	**(4,878)**	**4,878**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(565)**	**-**	**565**	**-**
Transfer from Stage 2 to Stage 1	**55**	**(55)**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(3,300)**	**3,300**	**-**
Transfer from Stage 3 to Stage 2	**-**	**31,421**	**(31,421)**	**-**
New financial assets originated	**19,376**	**-**	**-**	**19,376**
Changes in PDs/LGDs/EADs	**(11,500)**	**(16,499)**	**(111,755)**	**(139,754)**
Write-offs	**-**	**-**	**-**	**-**
Loss allowance as at 31 December	**23,284**	**26,232**	**299,572**	**349,088**

	2022			
Islamic financing and investment products	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January	51,011	12,106	563,846	626,963
Transfers				
Transfer from Stage 1 to Stage 2	(1,311)	1,311	-	-
Transfer from Stage 1 to Stage 3	(341)	-	341	-
Transfer from Stage 2 to Stage 1	501	(501)	-	-
Transfer from Stage 2 to Stage 3	-	(1,046)	1,046	-
Transfer from Stage 3 to Stage 2	-	3,388	(3,388)	-
New financial assets originated	13,191	-	-	13,191
Changes in PDs/LGDs/EADs	(42,255)	(5,471)	57,199	9,473
Write-offs	-	-	(180,161)	(180,161)
Loss allowance as at 31 December	20,796	9,787	438,883	469,466

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Loss allowance (continued)

The following tables explain the changes in the loss allowances for the year ended 31 December 2023 and 31 December 2022 (continued):

	2023			
	Stage 1 12-month ECL AED'000	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Securities measured at amortised cost				
Loss allowance as at 1 January	**26,210**	**-**	**2,205**	**28,415**
Transfers		**-**		
New financial assets originated	**39,037**	**-**	**-**	**39,037**
Changes in PDs/LGDs/EADs	**(20,112)**	**-**	**(3)**	**(20,115)**
Write off	**-**	**-**	**(2,202)**	**(2,202)**
Loss allowance as at 31 December	**45,135**	**-**	**-**	**45,135**

	2022			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Securities measured at amortised cost				
Loss allowance as at 1 January	22,303	-	2,205	24,508
Transfers				
New financial assets originated	17,479	-	-	17,479
Changes in PDs/LGDs/EADs	(13,572)	-	-	(13,572)
Write off	-	-	-	-
Loss allowance as at 31 December	26,210	-	2,205	28,415

The loss allowance as at 31 December 2023 on off balance sheet and acceptances amounted to AED103 million on Stage 1, AED 46 million on Stage 2, and 642 on Stage 3 (2022: AED 84 million on Stage 1, AED 77 million on Stage 2, and 710 million on Stage 3)

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Gross carrying amount

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2023 and 31 December 2022:

	2023			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Cash and balances with central banks				
Gross carrying amount as at 1 January	**31,435,930**	**-**	**-**	**31,435,930**
Repayments and other movements	**10,324,356**	**-**	**-**	**10,324,356**
Gross carrying amount as at 31 December	**41,760,286**	**-**	**-**	**41,760,286**

	2022			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Cash and balances with central banks				
Gross carrying amount as at 1 January	17,507,751	-	-	17,507,751
Repayments and other movements	13,928,179	-	-	13,928,179
Gross carrying amount as at 31 December	31,435,930	-	-	31,435,930

	2023			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Loans and advances to banks				
Gross carrying amount as at January	**25,289,523**	**3,859,855**	**25,195**	**29,174,573**
Transfer from Stage 1 to Stage 2	**(7,812,626)**	**7,812,626**	**-**	**-**
Transfer from Stage 2 to Stage 1	**22,305**	**(22,305)**	**-**	**-**
New financial assets originated	**37,356,001**	**-**	**-**	**37,356,001**
Repayments and other movements	**(22,969,692)**	**(4,278,993)**	**(15,458)**	**(27,264,143)**
Write-offs	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December	**31,885,511**	**7,371,183**	**9,737**	**39,266,431**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2023 and 31 December 2022 (continued):

	2022 (Restated)			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Loans and advances to banks				
Gross carrying amount as at January	25,983,624	2,910,024	78,946	28,972,594
Transfer from Stage 1 to Stage 2	(4,020,902)	4,020,902	-	-
New financial assets originated	26,254,853	-	-	26,254,853
Repayments and other movements	(22,928,052)	(3,071,071)	(9,169)	(26,008,292)
Write-offs	-	-	(44,582)	(44,582)
Gross carrying amount as at 31 December	25,289,523	3,859,855	25,195	29,174,573

	2023			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Financial assets measured at FVTOCI (debt securities) and securities measured at amortised cost				
Gross carrying amount as at 1 January	**23,388,911**	**-**	**2,205**	**23,391,116**
New financial assets originated	**18,221,239**	**-**	**-**	**18,221,239**
Repayments and other movements	**(9,260,965)**	**-**	**(3)**	**(9,260,968)**
Write-offs	**-**	**-**	**(2,202)**	**(2,202)**
Gross carrying amount as at 31 December	**32,349,185**	**-**	**-**	**32,349,185**

	2022			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Financial assets measured at FVTOCI (debt securities) and securities measured at amortised cost				
Gross carrying amount as at 1 January	23,785,800	-	2,205	23,788,005
New financial assets originated	13,811,750	-	-	13,811,750
Repayments and other movements	(14,204,461)	-	-	(14,204,461)
Write-offs	(4,178)	-	-	(4,178)
Gross carrying amount as at 31 December	23,388,911	-	2,205	23,391,116

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2023 and 31 December 2022 (continued):

	2023			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Loans and advances to customers				
Gross carrying amount as at January	**72,575,677**	**5,043,401**	**2,323,632**	**79,942,710**
Transfers				
Transfer from Stage 1 to Stage 2	**(2,841,083)**	**2,841,083**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(138,026)**	**-**	**138,026**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(355,029)**	**355,029**	**-**
Transfer from Stage 3 to Stage 2	**-**	**164,850**	**(164,850)**	**-**
Transfer from Stage 2 to Stage 1	**369,347**	**(369,347)**	**-**	**-**
New financial assets originated	**53,573,762**	**-**	**-**	**53,573,762**
Repayments and other movements	**(33,985,395)**	**(2,290,893)**	**(450,767)**	**(36,727,055)**
Write-offs	**-**	**-**	**(561,493)**	**(561,493)**
Gross carrying amount as at 31 December	**89,554,282**	**5,034,065**	**1,639,577**	**96,227,924**

	2022			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Loans and advances to customers				
Gross carrying amount as at January	62,421,522	5,646,447	4,458,678	72,526,647
Transfers				
Transfer from Stage 1 to Stage 2	(3,458,173)	3,458,173	-	-
Transfer from Stage 1 to Stage 3	(83,719)	-	83,719	-
Transfer from Stage 2 to Stage 3	-	(229,563)	229,563	-
Transfer from Stage 3 to Stage 2	-	447,342	(447,342)	-
Transfer from Stage 2 to Stage 1	1,120,386	(1,120,386)	-	-
New financial assets originated	52,279,308	-	-	52,279,308
Repayments and other movements	(39,703,647)	(3,158,613)	240,571	(42,621,689)
Write-offs	-	-	(2,241,556)	(2,241,556)
Gross carrying amount as at 31 December	72,575,677	5,043,400	2,323,633	79,942,710

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Gross carrying amount (continued)

The following tables further explains the changes in the gross carrying amount for the year ended 31 December 2023 and 31 December 2022 (continued):

	2023			
	Stage 1 12-month AED'000	**Stage 2 Lifetime AED'000**	**Stage 3 Lifetime AED'000**	**Total AED'000**
Islamic financing and investment products				
Gross carrying amount as at 1 January	**14,356,381**	**247,127**	**538,855**	**15,142,363**
Transfers				
Transfer from Stage 1 to Stage 2	**(401,866)**	**401,866**	**-**	**-**
Transfer from Stage 1 to Stage 3	**(2,800)**	**-**	**2,800**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(15,613)**	**15,613**	**-**
Transfer from Stage 2 to Stage 1	**12,505**	**(12,505)**	**-**	**-**
Transfer from Stage 3 to Stage 2	**-**	**86,215**	**(86,215)**	**-**
New financial assets originated	**8,353,881**	**-**	**-**	**8,353,881**
Repayments and other movements	**(6,427,043)**	**185,227**	**(153,098)**	**(6,394,914)**
Write-offs	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December	**15,891,058**	**892,317**	**317,955**	**17,101,330**

	2022			
	Stage 1 12-month AED'000	Stage 2 Lifetime AED'000	Stage 3 Lifetime AED'000	Total AED'000
Islamic financing and investment products				
Gross carrying amount as at 1 January	14,089,965	615,032	975,420	15,680,417
Transfers				
Transfer from Stage 1 to Stage 2	(106,746)	106,746	-	-
Transfer from Stage 1 to Stage 3	(1,602)	-	1,602	-
Transfer from Stage 2 to Stage 3	-	(5,010)	5,010	-
Transfer from Stage 3 to Stage 2	-	22,167	(22,167)	-
Transfer from Stage 2 to Stage 1	65,888	(65,888)	-	-
New financial assets originated	6,763,818	-	-	6,763,818
Repayments and other movements	(6,454,943)	(425,919)	(240,848)	(7,121,710)
Write-offs	-	-	(180,162)	(180,162)
Gross carrying amount as at 31 December	14,356,380	247,128	538,855	15,142,363

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Group may write-off financial assets but they are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owned in full, but which have been partially or fully written off due to no reasonable expectation of recovery.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Modification of financial assets

The Group modifies terms of loans provided to customers from time-to-time primarily due to ongoing client needs, commercial renegotiations or for managing distressed loans. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial, it does not result in derecognition of the original asset. The Group may determine that credit risk has significantly improved after restructuring, and such assets are moved from Stage 3 to Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only done when modified assets have performed in accordance with the new terms for twelve consecutive months or more. The gross carrying amounts of modified financial assets held at 31 December 2023 was 40 million with a modification loss of 9 million.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk excludes strategic and reputational risk.

Operational Risk Governance

Whilst the Group cannot eliminate all operational risks, it has developed a comprehensive framework of identifying, assessing, controlling, mitigating, monitoring and reporting Operational risk and consists of the following:

- Ownership of the risk & controls by businesses and functional units;
- Monitoring and validation by business;
- Oversight by Operational risk management team; and
- Independent review by Internal Audit

Operational risk management follows three lines of defence model.

The first line of defence is the Business Line Management. The operational risk governance will recognize that Business Units (BUs) are the owners of risk and hence responsible for identifying and managing the risks, inherent in the products, services and activities, within their BUs.

The second line of defence is the Operational Risk Management function, the Chief Risk Officer, the Operational Risk Committee (ORC) and the Enterprise Risk Committee. They are collectively responsible for designing, implementing, coordinating, reporting and facilitating effective Operational Risk Management on Group-wide basis.

The third line of defence is the Internal Audit who are responsible to independently assess the effectiveness and efficiency of the internal control, and for independently validate and provide an independent assurance to the Board Audit Committee (BAC) on the adequacy and effectiveness of the Operational Risk Management Framework.

The Board, through the Board Risk Committee, has the overall responsibility for managing operational risk at the Bank and ensure that the three line of defence approach is implemented and operated in an appropriate and acceptable manner.

The Group has adopted The Standardized Approach (TSA) to determine its operational risk capital requirements.

Operational Risk Appetite

The Group's operational risk appetite articulates the boundaries for quantitative and qualitative operational risks that the Bank is willing to take (or not take), with respect to pursuit of its strategic objectives. It helps in setting the risk culture across the Bank and facilitates an effective implementation of the Bank's Operational Risk Management Framework. The operational risk appetite is applied for decision-making and comprehending operational risk exposures across the Bank through implementation of policies, controls and operational risk tolerances

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Operational Risk Management Framework

The Group's Operational Risk Management Framework ("ORMF") is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and remediate operational risks. Its components have been designed to operate together to provide a comprehensive approach to managing the Group's most material operational risks. ORMF components include the setup of the three lines of defence as well as roles and responsibilities for the Operational Risk management process and appropriate independent challenge, the Group's approach to setting Operational Risk appetite and adhering to it, the Operational Risk type and control taxonomies, the minimum standards for Operational Risk management processes including tools, independent governance, and the Bank's Operational Risk capital model. Tools implemented for the identification and assessment of Operational risk include and is not limited to:

a) Risk and Control Self-Assessment
b) Operational Risk Event Management
c) Key Risk Indicator Management
d) New Business Systems & Process Approval (NPPA); and
e) Issues and Action Management

Incident management

The reporting of Operational risk incidents is a critical component of the Group's Operational risk management framework. This ensures greater risk transparency across the organisation and helps to identify gaps and facilitate timely remedial action for potential risk exposures.

The Central Bank of U.A.E. published final guidelines on operational risk management in October 2018. These guidelines lay out detailed supervisory expectations relating to operational risk governance, identification and assessment, systems and reporting.

The Group is in the process of assessing the Group's operational risk management framework in light of publication of operational risk management regulation by the Central Bank of U.A.E.

Market Risk Management

Market risk is the risk that fair value or cash flows of financial instruments held by the Group or its income may be adversely affected by movement in market factors, such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices.

Market risk at the Group is governed by a comprehensive control framework as defined by the approved Market Risk Framework. This function is independent of any risk taking businesses. The Market Risk function folds under Risk Management Group and reports to the Chief Risk Officer of the Group.

Market risk arises from the Group's trading and non-trading activities. The Market Risk Management function primarily manages risks arising from its proprietary trading activities. Risk exposure arising from non-trading activities is managed by the Assets & Liabilities Committee (ALCO). Trading risks are primarily concentrated in Treasury and Capital Markets (TCM) and are managed by a robust framework of market risk limits that reflect the Group's market risk appetite. Appropriate limits are placed on position sizes, stop loss levels, as well as on market factor sensitivities depending on the size and complexity of trading strategies involved. A comprehensive risk reporting framework is in place whereby, positions are monitored daily against the established limits and monitoring reports are circulated to the Market Risk Management and the respective Business Heads. In case of a limit exception, corrective action is taken in line with the Market Risk Framework or the concerned trading desk's limits mandate.

Each trading desk has a 'permitted product list' comprising of products and structures which have been determined to be appropriate for the TCM desk to trade. Any addition to this list is made after approval from Head of TCM, Head of Market Risk and Chief Risk Officer who assess the risks associated with the product and verify that they can be controlled effectively prior to approving the product.

The bank uses Value at Risk (VaR) methodology as its core analytical tool to assess risks across proprietary trading desks. VaR is an estimate of the potential losses arising in a portfolio over a specified time horizon due to adverse changes in underlying market factors. The Bank calculates its one-day VaR at a 99% confidence interval mainly using Monte Carlo Simulations approach across its trading portfolio and open FX position. VaR results are highly dependent on assumptions around input variables used in the model and also VaR does not provide the 'worst case' possible loss.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Market Risk Management (continued)

Being a statistical technique, VaR is known to have limitations and therefore its interpretation needs to be further supplemented by other limits, sensitivity triggers or stress tests. Stress testing is conducted by generating extreme, but plausible scenarios, such as significant movements in interest rates, credit spreads, etc. and analysing their effect on the Group's trading positions.

Stress testing is conducted by generating extreme, but plausible scenarios, such as significant movements in interest rates, credit spreads, etc. and analysing their effect on the Group's trading positions.

In 2023, VaR was being calculated regularly and as of 29th December 2023, the 99% 1-day VaR was estimated at USD 1.31 million (31 December 2022: USD 1.29 million) for the bank wide market risk positions (stemming mainly from proprietary trading FX net open position). The Bank's VaR model considers FX risk in all currencies, including GCC pegged currencies except USD and AED.

The 1day VaR looks comparable on a y-o-y basis.

There has been no significant change to the Group's exposure to market risks or the way these risks are managed and measured.

a) Counterparty Credit Risk

Counterparty Credit Risk is one of the most significant risks in OTC derivatives trading and securities financing transaction (SFTs) related activities. These risks are further sub categorized into two forms:

i) Pre-Settlement Risk

Counterparty credit risk is defined as the risk attributable to the downgrading and/or insolvency of a counterparty on its obligations prior to the final settlement of the transaction's cash flow. Internally the Group manages and monitors the exposure to this risk by defining controls and limits around a 'peak future exposure' (PFE) measure and in many cases by collateralizing facilities under Credit Support Annex (CSA). PFE is an estimate of the amount, at a 95% confidence level, a counterparty may owe over the life of a derivative transaction (or portfolio of transactions).

The Group further measures a net Credit Value Adjustment (CVA) on all outstanding OTC derivative contracts to account for market value of 'credit risk' due to any failure to perform on contractual agreements by a counterparty. CVA is a function of our expected exposure to counterparts, probability of default and recovery rates. CVA ensure derivatives transactions are priced or/and adequate reserves are built to account for expected credit losses.

ii) Settlement Risk

Settlement Risk arises when a bank, exchanges securities or cash payments to a counterparty on a value date and is unable to verify that payment or securities have been received in exchange until after it has paid or delivered its side of the transaction. The bank manages this exposure by dealing preferentially on a DvP/PvP basis or by defining control mechanism around settlement limits at a counterparty level.

Climate risk

The Group recognizes Climate risk as an emerging risk to the Group's assets, business, and operations. Climate risk is the risk of loss emanating from Climate change – the long-term shifts in temperatures and weather patterns. These changes occur naturally and in the recent years, have mainly been driven by human activities such as burning of fossil fuels. Climate risk is likely to have an impact on the principal risk categories discussed above (ie., credit, market, operational and liquidity risks), however, due to its pervasive nature has been identified and monitored by the Group on an overall basis.

The Group is actively working towards establishing the approach for managing Climate risk including defining a set of Sustainability Performance Indicators (SPIs), Climate risk governance, financial disclosures, and guidelines for identifying relevant risk factors. The Group is also working towards meeting stipulated regulatory reporting requirements in the relevant jurisdictions.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Libor transition

The Group is actively preparing for the transition to Alternative Reference Rates (ARR) under the supervision of a cross-functional working committee, which includes representatives from Risk, Finance, Technology, Legal, Marketing and relevant business units. Group's transition program to robust Risk-Free Reference Rates is in progress, migration of legacy cases is being carried sequentially based on next repricing opportunity.

Financial instruments impacted by IBOR reform

The exposures impacted by the LIBOR Transition as at 31 December 2023 are summarized in the table below. None of these instruments had been transitioned to an Alternative Reference Rate (SOFR) as at 31 December 2023:

	31 December 2023 AED (in million)
Non-derivative financial assets	**2,984**
Loans and advances measured at amortized cost	2,941
Other assets	43

As at 31 December 2023, the Group did not hold any off-balance sheet commitments and financial guarantees linked to LIBOR.

Hedge accounting

The Group did not enter into any LIBOR-linked hedging instruments since January 2022.

Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial assets and liabilities to different extents. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities repricing at different times.

The Group uses simulation-modelling tools to measure and monitor interest rate sensitivity. The results are analysed and monitored by the Assets and Liabilities Committee ("ALCO"). Since majority of the Group's assets are floating rate, deposits and loans generally are repriced within a short period of each other providing a natural hedge, which reduces interest rate risk exposure. Moreover, the majority of the Group's assets and liabilities reprice within one year, thereby further limiting interest rate risk. The Group also has a significant current and savings account balances in deposits which are largely interest free.

The impact of 50 basis points sudden movement in benchmark interest rate on net interest income over a 12 months period as at 31 December 2023 would be a decrease in net interest income by-2.9% (in case of decrease of interest rates) and would have been an increase in net interest income by 2.9% (in case of increase of interest rates) [31 December 2022: -4% and +4.1%] respectively.

During the year ended 31 December 2023, the effective interest rate on loans and advances to banks and certificates of deposits with central banks was 5.3% (31 December 2022: 2.6%), on loans and advances measured at amortised cost 7.0% (31 December 2022: 4.6%), on customers' deposits 2.3% (31 December 2022: 1.1%) and on due to banks (including repurchase agreements) 5.0% (31 December 2022: 2.0%).

The following table depicts the interest rate sensitivity position and interest rate gap position based on contractual repricing arrangement:

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2023							
Assets							
Cash and balances with central banks	15,861,859	-	-	-	-	25,898,427	41,760,286
Loans and advances to banks	17,073,242	10,634,450	3,314,054	5,143,191	-	2,962,095	39,127,032
Financial assets measured at fair value	8,496,553	4,103,446	4,788,392	978,761	5,636,318	2,028,399	26,031,869
Securities measured at amortised cost	1,717,683	547,483	608,199	3,627,043	3,451,117	-	9,951,525
Loans and advances to customers	65,138,163	10,745,164	3,151,029	11,857,358	1,162,923	1,548,600	93,603,237
Islamic financing and investment products	8,691,212	261,777	628,878	1,499,283	3,577,200	2,093,892	16,752,242
Acceptances	-	-	-	-	-	3,536,930	3,536,930
Reinsurance contract assets	-	-	-	-	-	2,756,863	2,756,863
Investment in associate	-	-	-	-	-	36,498	36,498
Investment properties	-	-	-	-	-	502,047	502,047
Property and equipment	-	-	-	-	-	1,381,735	1,381,735
Intangible assets	-	-	-	-	-	360,611	360,611
Other assets	-	-	-	-	-	4,179,734	4,179,734
Total assets	**116,978,712**	**26,292,320**	**12,490,552**	**23,105,636**	**13,827,558**	**47,285,831**	**239,980,609**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis (continued):

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2023							
Liabilities and equity							
Deposits and balances due to banks	14,983,950	3,519,750	2,007,962	281,091	18,714	16,523,581	37,335,048
Repurchase agreements with banks	1,062,992	-	-	-	-	-	1,062,992
Customers' deposits	57,083,361	8,261,427	5,484,818	1,988,025	391,880	59,400,160	132,609,671
Islamic customers' deposits	6,702,805	1,050,823	1,972,313	53,035	-	3,843,508	13,622,484
Acceptances	-	-	-	-		3,536,930	3,536,930
Other liabilities	-	-	-	-	82,850	8,088,159	8,171,009
Medium-term loans	3,587,906	-	910,595	623,604	36,596	-	5,158,701
Subordinated debt	-	-	-	-	1,831,027	-	1,831,027
Insurance contract and investment liabilities	-	-	-	-	-	5,334,957	5,334,957
Equity attributable to shareholders of the Parent	-	-	-	-	-	30,333,359	30,333,359
Non-controlling interest	-	-	-	-	-	984,431	984,431
Total liabilities and equity	**83,421,014**	**12,832,000**	**10,375,688**	**2,945,755**	**2,361,067**	**128,045,085**	**239,980,609**
On balance sheet gap	33,557,698	13,460,320	2,114,864	20,159,881	11,466,491	(80,759,254)	-
Off balance sheet gap	(1,486,192)	371,444	1,004,278	110,470	-	-	-
Cumulative interest rate sensitivity gap	**32,071,506**	**45,903,270**	**49,022,412**	**69,292,763**	**80,759,254**	**-**	**-**

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2022 (Restated)							
Assets							
Cash and balances with central banks	24,010,142	-	29,267	-	-	7,396,521	31,435,930
Loans and advances to banks	18,478,328	5,515,453	2,074,250	721,303	384	2,263,919	29,053,637
Financial assets measured at fair value	1,833,704	94,958	140,560	812,769	5,888,202	1,659,572	10,429,765
Securities measured at amortised cost	6,893,955	908,233	1,596,865	4,120,392	2,903,502	-	16,422,947
Loans and advances to customers	60,324,877	3,226,788	1,604,933	6,624,244	1,608,671	2,240,831	75,630,344
Islamic financing and investment products	7,975,415	247,638	323,651	1,384,820	2,445,607	2,295,766	14,672,897
Acceptances	-	-	-	-	-	9,310,974	9,310,974
Reinsurance contract assets	-	-	-	-	-	2,373,692	2,373,692
Investment in associate	-	-	-	-	-	43,633	43,633
Investment properties	-	-	-	-	-	464,840	464,840
Property and equipment	-	-	-	-	-	1,395,485	1,395,485
Intangible assets	-	-	-	-	-	230,667	230,667
Other assets	-	-	-	-	-	5,780,589	5,780,589
Total assets	119,516,421	9,993,070	5,769,526	13,663,528	12,846,366	35,456,489	197,245,400

43. Risk management (continued)

Interest rate risk management (continued)

Interest rate repricing analysis (continued):

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing items AED'000	Total AED'000
31 December 2022 (Restated)							
Liabilities and equity							
Deposits and balances due to banks	22,920,742	795,035	670,140	-	-	4,013,539	28,399,456
Repurchase agreements with banks	1,452,959	473,223	-	-	-	-	1,926,182
Customers' deposits	34,129,897	3,415,872	4,910,109	1,852,514	261,770	54,257,160	98,827,322
Islamic customers' deposits	5,941,328	1,237,186	4,400,590	43,800	-	3,356,037	14,978,941
Acceptances	-	-	-	-	-	9,310,974	9,310,974
Other liabilities	-	-	-	-	-	7,620,581	7,620,581
Medium-term loans	311,623	-	112,525	4,761,752	37,665	-	5,223,565
Subordinated debt	-	-	-	-	1,831,027	-	1,831,027
Insurance contract and investment liabilities	-	-	-	-	-	4,618,473	4,618,473
Equity attributable to shareholders of the Parent	-	-	-	-	-	23,599,496	23,599,496
Non-controlling interest	-	-	-	-	-	909,383	909,383
Total liabilities and equity	64,756,549	5,921,316	10,093,364	6,658,066	2,130,462	107,685,643	197,245,400
On balance sheet gap	54,759,872	4,071,754	(4,323,838)	7,005,462	10,715,904	(72,229,154)	-
Off balance sheet gap	(1,160,414)	289,293	870,474	647	-	-	-
Cumulative interest rate sensitivity gap	53,599,458	57,960,505	54,507,141	61,513,250	72,229,154	-	-

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Currency risk management

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. Limits on positions by currencies are monitored on a regular basis. The Group's exposures as follows:

	31 December 2023			31 December 2022		
	Net spot position AED'000	**Net Forward position AED'000**	**Net Position AED'000**	Net spot position AED'000	Net Forward position AED'000	Net Position AED'000
U.S. Dollars	**19,131,510**	**(4,063,208)**	**15,068,302**	15,947,133	(4,954,483)	10,992,650
Qatari Riyals	**(157,392)**	**(66,126)**	**(223,518)**	105,137	(279,698)	(174,561)
Pound Sterling	**(850,793)**	**908,355**	**57,562**	(907,395)	907,756	361
Euro	**(5,825,213)**	**5,814,623**	**(10,590)**	(5,104,078)	5,094,078	(10,000)
Bahrain Dinar	**1,722,023**	**(1,590,647)**	**131,376**	1,746,687	(1,621,653)	125,034
Saudi Riyal	**73,884**	**(72,025)**	**1,859**	(1,001,668)	1,006,271	4,603
Japanese Yen	**(441,401)**	**450,982**	**9,581**	(631,151)	642,576	11,425
Swiss Francs	**(26,522)**	**26,200**	**(322)**	6,366	46	6,412
Kuwaiti Dinar	**(85,780)**	**(57,260)**	**(143,040)**	(49,999)	(132,514)	(182,513)
Chinese Yuan	**(1,787,618)**	**1,925,436**	**137,818**	(2,191,059)	2,360,431	169,372
Other	**566,635**	**(804,571)**	**(237,936)**	48,553	(601,296)	(552,743)
Total	**12,319,333**	**2,471,759**	**14,791,092**	7,968,526	2,421,514	10,390,040

The exchange rate of AED against US Dollar is pegged and the Group's exposure to currency risk is limited to that extent.

Most of the major positions are in currencies that are pegged to the U.S. Dollar; therefore, any change in their exchange rates will have insignificant sensitivity on the consolidated statement of profit or loss or consolidated statement of comprehensive income.

Liquidity risk management

Liquidity risk is the risk that the Group's entities, in various locations and in various currencies, will be unable to meet a financial commitment to a customer, creditor, or investor when due.

The Group's senior management's focus on liquidity management is to:

- better understand the various sources of liquidity risk, particularly under stressed conditions;
- ensure the Group's short term and long term resilience, as measured by the Basel III guidelines, is sufficiently robust to meet realistic adverse scenarios;
- develop effective contingency funding plans to deal with liquidity crises;
- develop liquidity risk tolerance levels within the Internal Capital Adequacy Assessment Process (ICAAP) framework; and
- demonstrate that the bank can survive the closure of one or more funding markets by ensuring that funding can be readily raised from a variety of sources.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Liquidity risk management (continued)

In compliance with Basel Committee on Banking Supervision ("BCBS") document titled "Principles for Sound Liquidity Management" and CBUAE "Regulations re Liquidity at Banks" (Circular Number 33/2015) and accompanying Guidance Manual, the Group has established a robust liquidity management framework that is well integrated into the bank-wide risk management process. A primary objective of the liquidity management framework is to ensure with a high degree of confidence that the Bank is in a position to address both its daily liquidity obligations as well as withstand a period of liquidity stress. In addition to maintaining sound liquidity governance and management practices, the Bank also holds an adequate liquidity cushion comprised of High Quality Liquid Assets ("HQLA") to be in a position to survive such periods of liquidity stress. The Bank's Liquidity Management Framework has two tiers:

1. **Board of Directors oversight** through review and approval of Liquidity Management Policy and definition of Liquidity Risk Tolerance Limits.
2. **Strategies, policies and practices developed by the ALCO** to manage liquidity risk in accordance with the Board of directors approved risk tolerance and ensure that the bank maintains sufficient liquidity.

The Group's Board of Directors (the "Board") bears the ultimate responsibility for liquidity risk management within the Bank. The Board members hence are familiar with liquidity risk and how it is managed as well as have a thorough understanding of how other risks including credit, market, operational and reputation risks affect the bank's overall liquidity risk.

Mashreqbank's Head Office ("HO") and International Banking Group ("IBG") Asset and Liability Committees ("ALCO") are responsible for formulating policies for implementing the Board approved liquidity risk appetite. In this regard, the following policies, procedures and systems have been implemented:

a) Robust ALCO oversight through timely, pertinent information and analysis

ALCOs have a broad range of authority delegated by the Board of Directors to manage the Group's asset and liability structure and funding strategy. ALCOs meet on a regular basis to review liquidity ratios, asset and liability structure, interest rate and foreign exchange exposures, internal and statutory ratio compliance, funding and repricing gaps and general domestic and international economic and financial market conditions. ALCOs determine the structure, responsibilities and controls for managing liquidity risk and for overseeing the liquidity position at all locations. The Asset Liability Management ("ALM") function in the Group is then responsible for implementing the ALCO policies.

The Head Office ALCO comprises of the Chief Executive Officer, the Head of Corporate Affairs, Chief Risk Officer, Chief Credit Officer, Head of Retail Banking Group, Head of Corporate Banking Group, Head of International Banking Group and the Head of Treasury & Capital Markets.

The IBG ALCO comprises of Head of International Banking, Head of Retail Banking, Chief Risk Officer, Head of Treasury & Capital Markets, Funding Centre, Finance and representatives from respective international locations.

b) Maintenance of Adequate High Quality Liquid Assets ("HQLA") cushion

The Bank holds a portfolio of HQLA aligned with the established liquidity risk tolerance of the bank, which means at a minimum it is sufficient to meet all regulatory and internal ratios under normal operating conditions, and enough to meet the liquidity needs under stressed conditions as estimated by Stress tests.

c) Gap limits

The minimum size of net placements in highly liquid money market instruments and HQLA bond portfolio is based on stress testing exercise, which takes into account the stability of deposits from different sources as well as contingent funding requirements of overseas branches. The Money Book and HQLA deployments are also required to adhere to gap limits, to ensure that the bank is in a position to meet short term and intraday liquidity needs.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

d) Liquidity risk management over different time horizons and currencies

The time horizons and activities over which the Bank manages liquidity risk range from intraday basis, day-to-day cashflow movements, fund raising capacity over short and medium-term (up to one year) as well as vulnerabilities to events, activities and strategies beyond one year that can put a significant strain on the Bank's cash generation capability

e) Forward looking Funding Plan ensuring effective diversification in the sources and tenor of funding

Mashreqbank develops its funding plan as part of its annual planning exercise. The plan places emphasis on diversifying the funding sources and maintaining market access to different sources of funding.

The Group has historically relied on customer deposits for its funding needs. Over the years, the Group has successfully introduced various cash management products and retail savings' schemes which have enabled it to mobilise low cost, broad based deposits. In order to diversify the funding sources, a Euro Medium Term Notes program was launched in 2004 and, as of 31 December 2023 has an outstanding balance of AED 5.2 billion (2022: AED 5.2 billion) [Note 19] in medium-term loans.

f) Stress Testing for a variety of short-term and protracted Group-specific and market-wide stress scenarios

Stress tests enable the Bank to analyze the impact of stress scenarios on its consolidated group wise liquidity position as well as on the liquidity position of individual entities. The stress scenarios have been designed to incorporate the major funding and market liquidity risks to which the Bank is exposed. ALCO and the Board reviews the bank's choice of scenarios and related assumptions as well as the results of the stress tests.

g) Contingency Funding Plan outlining the Bank's step by step response to Liquidity contingency situations of different magnitudes

Mashreqbank has a formal contingency funding plan ("CFP"), which is updated, reviewed and approved by the HO ALCO and the Board on an annual basis. The CFP provides a list of liquidity generation tools which would be used to counter liquidity stress at different stages of the contingency.

h) FTP Framework for allocating liquidity costs, benefits and risks to all business activities

Mashreqbank has a well-developed FTP policy and system that aims to create transparency in profitability and insulate Business Units from interest rate risk.

i) Regular Internal as well as CBUAE audits focused on HQLA cushion and Liquidity management policies and procedures

Mashreqbank's liquidity policies, procedures and systems are subject to end to end review by internal audit as well as by the CBUAE.

The recovery in the oil prices along with renewed access to the international capital markets by GCC sovereigns and financial institutions however, have eased the concerns regarding GCC Governments' finances and banking sector's liquidity. In this environment, Mashreqbank has taken measures to manage its liquidity carefully. The Bank's ALCO meets regularly with primary focus on monitoring cash flows and forecasts across all jurisdictions in which the Bank operates. The Bank has strengthened its liquidity buffer significantly through raising deposits.

Prudent liquidity management by the Bank, has helped to ensure that the Bank is able to meet its clients' banking services requirements effectively and without disruption. Recently, while high inflation readings as well as the Russia Ukraine crisis have negatively impacted the US and European capital markets, they have not had a discernable impact on liquidity in the UAE due to the accompanying rise in oil prices and the resultant increase in Government and Related Enterprises ("GRE") cash balances.

The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date.

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Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Maturity profile:

The maturity profile of assets, liabilities and equity as at 31 December 2023 were as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with central banks	41,760,286	-	-	-	-	41,760,286
Loans and advances to banks	14,456,759	9,856,606	5,756,220	9,057,447	-	39,127,032
Financial assets measured at fair value	9,658,921	4,103,446	4,788,392	994,937	6,486,173	26,031,869
Securities measured at amortised cost	1,717,638	546,593	607,976	3,620,521	3,458,797	9,951,525
Loans and advances to customers	26,834,907	8,470,520	4,233,991	24,144,451	29,919,368	93,603,237
Islamic financing and investment products	7,681,017	364,259	724,658	2,169,766	5,812,542	16,752,242
Acceptances	1,730,889	1,074,135	627,583	104,323	-	3,536,930
Reinsurance contract assets	860,314	521,326	550,108	805,712	19,403	2,756,863
Investment in associate	-	-	-	-	36,498	36,498
Investment properties	-	-	-	-	502,047	502,047
Property and equipment	-	-	-	-	1,381,735	1,381,735
Intangible assets	-	-	-	-	360,611	360,611
Other assets	3,925,138	88,721	49,964	92,149	23,762	4,179,734
Total assets	108,625,869	25,025,606	17,338,892	40,989,306	48,000,936	239,980,609

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Maturity profile (continued)

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities and equity						
Deposits and balances due to banks	24,062,080	4,229,397	2,088,779	281,092	6,673,700	37,335,048
Repurchase agreements with banks	1,062,992	-	-	-	-	1,062,992
Customers' deposits	115,999,612	8,539,857	5,584,044	2,094,278	391,880	132,609,671
Islamic customers' deposits	10,546,293	1,050,843	1,972,313	53,035	-	13,622,484
Acceptances	1,730,888	1,074,135	627,583	104,324	-	3,536,930
Other liabilities	7,237,582	380,712	228,175	136,466	188,074	8,171,009
Medium-term loans	3,587,906	-	910,595	623,604	36,596	5,158,701
Subordinated debt	-	-	-	-	1,831,027	1,831,027
Insurance and investment contract liabilities	1,353,115	702,015	732,292	1,629,384	918,151	5,334,957
Equity attributable to shareholders of the Parent	-	-	-	-	30,333,359	30,333,359
Non-controlling interest	-	-	-	-	984,431	984,431
Total liabilities and equity	**165,580,468**	**15,976,959**	**12,143,781**	**4,922,183**	**41,357,218**	**239,980,609**
Guarantees	6,828,710	3,179,342	3,658,273	3,521,544	9,087,699	26,275,568
Letters of credit	8,994,670	2,750,866	1,325,772	209,882	5,559	13,286,749
Total	**15,823,380**	**5,930,208**	**4,984,045**	**3,731,426**	**9,093,258**	**39,562,317**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Maturity profile:

The maturity profile of assets, liabilities and equity as at 31 December 2022 (Restated) were as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with central banks	31,435,930	-	-	-	-	31,435,930
Loans and advances to banks	16,679,331	6,215,754	3,160,179	2,998,373	-	29,053,637
Financial assets measured at fair value	2,897,768	94,958	140,560	812,769	6,483,710	10,429,765
Securities measured at amortised cost	6,891,548	907,931	1,596,417	4,119,237	2,907,814	16,422,947
Loans and advances to customers	23,749,242	5,878,467	3,897,573	19,542,951	22,562,111	75,630,344
Islamic financing and investment products	5,794,521	600,367	337,571	2,615,141	5,325,297	14,672,897
Acceptances	6,746,930	1,533,632	790,045	240,145	222	9,310,974
Reinsurance contract assets	723,937	471,939	541,896	616,423	19,497	2,373,692
Investment in associate	-	-	-	-	43,633	43,633
Investment properties	-	-	-	-	464,840	464,840
Property and equipment	-	-	-	-	1,395,485	1,395,485
Intangible assets	-	-	-	-	230,667	230,667
Other assets	3,710,861	1,452,740	161,436	118,758	336,794	5,780,589
Total assets	98,630,068	17,155,788	10,625,677	31,063,797	39,770,070	197,245,400

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Maturity profile (continued)

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities and equity						
Deposits and balances due to banks	26,934,282	795,035	670,139	-	-	28,399,456
Repurchase agreements with banks	1,452,959	473,223	-	-	-	1,926,182
Customers' deposits	87,938,308	3,791,476	4,959,200	1,872,480	265,858	98,827,322
Islamic customers' deposits	9,297,345	1,237,206	4,400,590	43,800	-	14,978,941
Acceptances	6,746,930	1,533,632	790,046	240,145	221	9,310,974
Other liabilities	6,501,889	347,442	385,466	166,891	218,893	7,620,581
Medium-term loans	311,623	-	112,525	4,761,752	37,665	5,223,565
Subordinated debt	-	-	-	-	1,831,027	1,831,027
Insurance and investment contract liabilities	1,429,373	741,651	782,062	1,246,237	419,150	4,618,473
Equity attributable to shareholders of the Parent	-	-	-	-	23,599,496	23,599,496
Non-controlling interest	-	-	-	-	909,383	909,383
Total liabilities and equity	140,612,709	8,919,665	12,100,028	8,331,305	27,281,693	197,245,400
Guarantees	7,624,106	3,092,458	4,918,972	4,796,054	10,643,541	31,075,131
Letters of credit	11,824,239	2,821,602	871,747	180,835	-	15,698,423
Total	19,448,345	5,914,060	5,790,719	4,976,889	10,643,541	46,773,554

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Maturity profile (continued)

The following table summarises the maturity profile based on contractual undiscounted repayment obligations as at 31 December 2023:

	Within 3 months AED'000	**Over 3 to 6 months AED'000**	**Over 6 to 12 months AED'000**	**Over 1 to 5 years AED'000**	**Over 5 years AED'000**	**Total AED'000**
Liabilities and equity						
Deposits and balances due to banks	**24,080,104**	**4,266,416**	**2,104,472**	**281,865**	**6,681,434**	**37,414,291**
Repurchase agreements with banks	**1,062,992**	**-**	**-**	**-**	**-**	**1,062,992**
Customers' deposits	**116,149,390**	**8,702,859**	**5,787,433**	**2,484,065**	**441,001**	**133,564,748**
Islamic customers' deposits	**10,654,769**	**1,098,888**	**2,094,955**	**57,742**	**-**	**13,906,354**
Acceptances	**1,730,888**	**1,074,135**	**627,583**	**104,324**	**-**	**3,536,930**
Other liabilities	**7,237,582**	**380,712**	**228,175**	**136,466**	**188,072**	**8,171,007**
Medium-term loans	**3,610,302**	**-**	**950,914**	**628,205**	**37,282**	**5,226,703**
Subordinated debt	**36,156**	**36,156**	**72,312**	**723,122**	**2,286,192**	**3,153,938**
Insurance and investment contract liabilities	**1,353,115**	**702,015**	**732,292**	**1,629,384**	**918,151**	**5,334,957**
Equity attributable to shareholders of the Parent	**-**	**-**	**-**	**-**	**30,333,359**	**30,333,359**
Non-controlling interest	**-**	**-**	**-**	**-**	**984,431**	**984,431**
Total liabilities and equity	**165,915,298**	**16,261,181**	**12,598,136**	**6,045,173**	**41,869,922**	**242,689,710**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Maturity profile (continued)

The following table summarises the maturity profile based on contractual undiscounted repayment obligations as at 31 December 2022 (Restated):

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities and equity						
Deposits and balances due to banks	26,954,833	805,183	689,091	-	-	28,449,107
Repurchase agreements with banks	1,452,959	473,223	-	-	-	1,926,182
Customers' deposits	87,999,074	3,836,664	5,109,008	2,148,095	274,660	99,367,501
Islamic customers' deposits	9,347,729	1,271,425	4,578,610	46,464	-	15,244,228
Acceptances	6,746,930	1,533,632	790,045	240,145	222	9,310,974
Other liabilities	6,501,889	347,442	385,466	166,891	218,893	7,620,581
Medium-term loans	316,872	-	114,248	4,826,812	38,351	5,296,283
Subordinated debt	36,156	36,156	72,312	723,122	2,430,817	3,298,563
Insurance and investment contract liabilities	1,429,373	741,651	782,062	1,246,237	419,150	4,618,473
Equity attributable to shareholders of the Parent	-	-	-	-	23,599,496	23,599,496
Non-controlling interest	-	-	-	-	909,383	909,383
Total liabilities and equity	140,785,815	9,045,376	12,520,842	9,397,766	27,890,972	199,640,771

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Compliance Risk

Compliance risk is the risk of an activity not being conducted in line with the applicable laws and regulations leading to reputational and/or financial losses. The Group manages compliance risk through a compliance function which is responsible for monitoring compliance of laws and regulations across the various jurisdictions in which the Group operates.

The Bank previously became aware that certain historical US dollar payment processing activities may have potentially breached US sanction laws in effect at the time. Accordingly, the Bank proactively cooperated with the UAE and the US regulators and appointed external legal advisors to assist in the review of these transactions, including compliance with US sanction laws as well as its own compliance processes. In 2018, the Bank formally submitted the findings of the review to the regulators in both the UAE and the US.

During the year ended 31 December 2021 the Bank reached a joint settlement with the Office of Foreign Assets Control (OFAC), the New York State Department of Financial Services (DFS) and the Federal Reserve Board of Governors (FRB). No separate financial penalty was levied by OFAC and FRB. The Bank has complied with the terms of the settlement. Dialogue with another US agency on the same matter is ongoing and, based on legal advice, it is premature at this stage to determine if the Bank is likely to be subject to any further penalty or the quantum of the penalty. The Group, on a continuous basis, identifies and assesses such risks and recognizes provisions, in consultation with its legal counsel, in accordance with the accounting policy for provisions as disclosed in note 3.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The group measures investments in the category using various valuations techniques. These include the net assets valuation method where there is unavailability of market and comparable financial information comparable sales transactions after applying an appropriate hair cut and discounted cash flow models where appropriate

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2022.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Fair value measurements (continued)

	Fair value as at 2023 AED'000	2022 AED'000	Fair value hierarchy
Financial assets measured at FVTPL			
Quoted debt investments	**152,750**	202,752	Level 1
Quoted equity investments	**22,530**	16,667	Level 1
Unquoted debt investments	**1,348,157**	1,145,385	Level 2
Funds	**1,310,716**	1,286,743	Level 2
Unquoted equity investments	**1,132**	707	Level 3
	2,835,285	2,652,254	

	Fair value as at 2023 AED'000	2022 AED'000	Fair value hierarchy
Financial assets measured at FVTOCI			
Quoted equity investments	**705,698**	699,587	Level 1
Quoted debt investments	**22,343,507**	6,934,735	Level 1
Unquoted equity investments	**56,049**	63,117	Level 3
Funds	**91,330**	80,072	Level 2
	23,196,584	7,777,511	
	26,031,869	10,429,765	

There were no transfers between each of level during the year. There are no financial liabilities which should be categorised under any of the level in table above.

The movement in the level 3 financial assets were due to exchange differences and changes in fair value.

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTPL

	2023 AED'000	2022 AED'000
At 1 January	**707**	1,113
Change in fair value	**425**	(406)
At 31 December	**1,132**	707

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Fair value measurements (continued)

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTOCI

	2023 AED'000	2022 AED'000
At 1 January	**63,117**	613,519
Purchases	**8,945**	12,856
Disposals/matured	**(12,429)**	(573,611)
Change in fair value	**(3,584)**	10,353
At 31 December	**56,049**	63,117

All gain and losses included in consolidated statement of comprehensive income relate to unquoted investments in equity instruments held at the end of the reporting period and are reported as changes of 'investments revaluation reserve'.

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values and carry market rates of interest.

	Gross carrying amount AED'000	Fair value Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2023					
Financial assets:					
Securities measured at amortised cost	**9,996,660**	**7,415,365**	**1,534,497**	**773,394**	**9,723,256**
31 December 2022					
Financial assets:					
Securities measured at amortised cost	16,451,362	13,843,005	1,468,843	741,681	16,053,529

	Gross carrying amount AED'000	Fair value Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2023					
Financial liabilities					
Medium-term notes	**5,158,701**	**4,199,191**	**-**	**955,019**	**5,154,210**
31 December 2022					
Financial liabilities					
Medium-term notes	5,223,565	4,060,351	-	1,055,949	5,116,300

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

43. Risk management (continued)

Fair value measurements (continued)

Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 1% increase or decrease as at 31 December 2023 and 31 December 2022:

	Reflected in consolidated statement of profit or loss		Reflected in consolidated statement of comprehensive income	
	Favourable change AED'000	Unfavourable change AED'000	Favourable change AED'000	Unfavourable change AED'000
31 December 2023				
Financial assets measured at fair value	**28,353**	**(28,353)**	**231,966**	**(231,966)**
Derivatives	**6,128**	**(6,128)**	**-**	**-**
31 December 2022 (Restated)				
Financial assets measured at fair value	26,523	(26,523)	77,775	(77,775)
Derivatives	9,247	(9,247)	-	-

Majority of the derivative financial instruments are back-to-back; therefore, any change to the fair value of the derivatives resulting from price input changes will have insignificant impact on the consolidated statement of profit or loss or consolidated statement of comprehensive income.

44. Foreign restricted assets

Net assets equivalent to AED 555 million as at 31 December 2023 (31 December 2022: AED 549 million) maintained by certain branches of the Bank, operating outside the UAE, are subject to exchange control regulations of the countries in which these branches operate.

45. Taxation

On 31 January 2022, the UAE Ministry of Finance ("MOF") announced the introduction of a corporate income tax (the "CIT")") on business profits, it is effected on 1 June 2023 and applied from such date. The CIT rate of 9% is applied on the adjusted accounting net profits of a business. The application is also dependent on the implementation of Base Erosion Profit Shifting (BEPS 2) – Pillar Two rules by the countries where the Group operates and the implementation of a top-up tax regime by UAE MOF. The Group has completed the assessment of the impact on its consolidated financial statements, both from current and deferred tax perspective in preparation for full compliance with the new Corporate tax law noting that the first tax period for the Group is starting on 1 January 2024. Based on this assessment performed, the Group has assessed the impact of on its deferred tax asset as immaterial.

46. Additional Tier 1 capital securities

In July 2022, the Bank issued US$ 300 million (AED 1,101.9 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, conditional, subordinated and unsecured and are classified as equity. These securities are issued at a coupon rate of 8.5% p.a. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in July 2027 subject to Central Bank approval.

During 2023, the bank held annual general meeting for the issuance of more additional Tier 1 securities which was approved by the shareholders.

47. Comparative information

Certain comparative amounts in consolidated statement of financial position and notes to the consolidated financial statements have been adjusted to conform to the current presentation.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

48. Subordinated debt

In November 2022, the Bank issued US$ 500 million of subordinated Tier 2 notes. The notes, which were issued at a re-offer price and yield of 99.702 and 7.95 per cent, respectively, and with a coupon of 7.875%, are callable after 5.25 years and have a final maturity of 10.25 years .They will rank pari passu among themselves, rank subordinate and junior to all senior obligations and rank in priority only to all junior obligations, subject to solvency conditions.

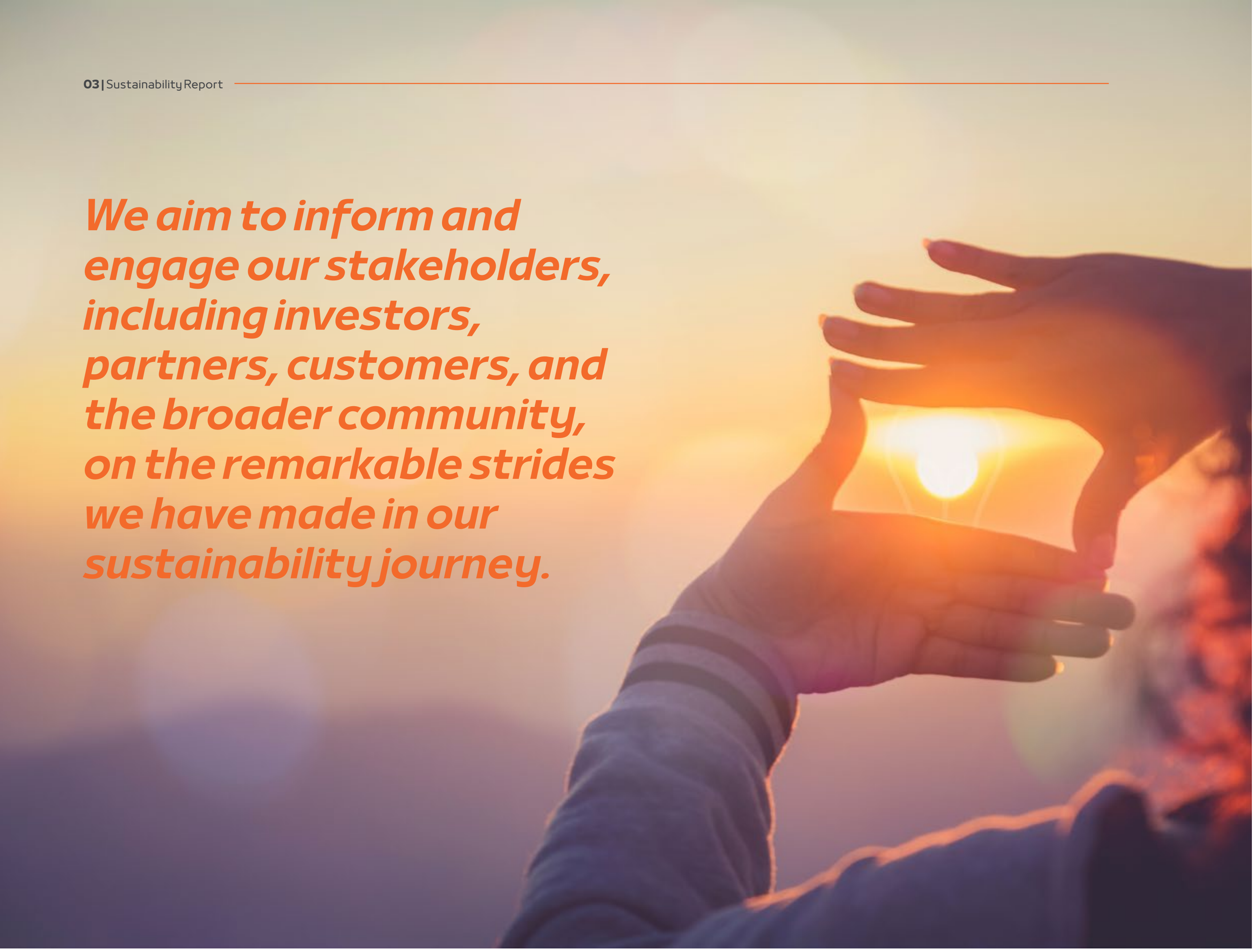
49. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2023.

50. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 were approved by the Board of Directors and authorised for issue on 29 January 2024.

03. Sustainability Report



We aim to inform and engage our stakeholders, including investors, partners, customers, and the broader community, on the remarkable strides we have made in our sustainability journey.

1. About this Report

Mashreq takes immense pride in unveiling its 2023 Sustainability Report, prepared in alignment with the ESG Reporting Guide prescribed by the Dubai Financial Market (DFM). This report not only conforms to the guidelines set forth by the Sustainable Stock Exchange (SSE) initiative and the World Federation of Exchanges (WFE) but also stands testament to our commitment to transparency in reporting, offering a comprehensive view of our key ESG metrics.

In our pursuit of openness and accountability, this report strictly adheres to the GRI 2021 Standards, upholds the principles of the UN Global Compact (UNGC), and aligns with the aspirational targets of the Sustainable Development Goals (SDGs). By showcasing our progress across these criteria, we aim to inform and engage our stakeholders, including investors, partners, customers, and the broader community, on the remarkable strides we have made in our sustainability journey.

It is noteworthy that this marks the fourth edition of our Sustainability Report, showcasing the continuity of our commitment and the evolving nature of our sustainability initiatives.

Throughout the contents of this report, we emphasize our dedication to compliance, celebrate impactful partnerships, and articulate our ambitious goals. These principles serve as our guiding compass, steering our operations and processes towards the overarching objective of fostering an inclusive and sustainable economy for all our stakeholders.

For a comprehensive understanding of Mashreq's overall performance, including Economic indicators, Governance practices, Risk management, and more, we encourage you to refer to our annual report, which provides further detailed disclosures. We remain steadfast in our commitment to sustainability and eagerly anticipate sharing the progress and impact of our continuous journey with you.

2. Scope of this Report

The Scope of this report is as follows:

'23 Reporting Year	The report comprehensively encapsulates our environmental, social, and governance (ESG) performance for the calendar year 2023, spanning January to December.
Reporting Boundary	Our focus within this report is primarily on operations within the UAE, with specific attention to our headquarters situated at Umniyati Street (off Al Asayel Street), Dubai, United Arab Emirates. Exceptions or additional coverage will be explicitly indicated.
Monetary Values	All monetary values referenced in this report are denominated in Arab Emirates Dirhams (AED), providing a localized and contextually relevant perspective.
External Assurance	To reinforce the credibility of our disclosures and to emphasize our commitment to transparency and accountability, selected segments of the report will be undergoing external assurance by a third party.
Contact Point	For inquiries related to this report, please feel free to reach out to Mr. Faisal AlShimmari, Head of ESG and Corporate Strategy, at Sustainability@mashreq.com.

Our commitment to transparency and engagement:

Information Dissemination	We disseminate details about our sustainability policies and performance through various channels, including our Annual Report, additional reports, presentations, regulatory filings, press releases, and direct engagements with stakeholders.
Dedicated Sustainability Page	Facilitating easy access to our sustainability content, we maintain a dedicated Sustainability page on our website. This platform serves as a centralized repository for materials related to ESG themes, providing a convenient avenue for stakeholders to access pertinent information. (https://www.mashreq.com/en/uae/about-us/sustainability/sustainability-at-mashreq/)
Purpose of the Annual Sustainability Report	This annual report serves as a comprehensive summary, highlighting our endeavors in addressing ESG topics pertinent to both our business and stakeholders. It is designed to guide readers to more exhaustive information on specific areas of interest, directing them to additional resources.
Data Temporality	Unless otherwise specified, all data within this report pertains specifically to the reporting year, culminating as of December 31, 2023.
Post-Publication Corrections	Identified errors, if any, subsequent to the publication of this report will be promptly rectified and transparently communicated on our website.
Environmental Considerations	Embracing our commitment to a "paperless office" and environmental sustainability, our reports are exclusively available as downloadable PDF files on our website. This approach aligns with our eco-conscious ethos, minimizing our ecological footprint.

3. Company Overview

Mashreq is a more than half-century-old bank, yet proudly thinks like a challenger, startup, and innovator. Mashreq pioneered key innovations and developments in banking, starting with entry-level digital-first customers all the way to powering some of the region's most prominent corporations and wealth accounts. The bank's mandate is to help customers find their way to Rise Every Day, partnering through the highs and lows to help them reach fulfillment, achieve financial goals, and unlock their vision of success. Reassuringly present in major financial centers of the world, Mashreq's home and global HQ remains in the Middle East, offering services whenever and wherever opportunity takes its customers.

Legacy and Listing:

Mashreq has etched its place in history as the oldest publicly listed bank in the UAE. Listed on the Dubai Financial Market, our journey has been defined by resilience, adaptability, and a commitment to unwavering financial integrity.

Comprehensive Services:

Mashreq's portfolio of services spans Corporate and Investment Banking, International Banking, Retail Banking, and Treasury and Capital Markets. These pillars form the foundation of a versatile and comprehensive suite that caters to the varied needs of our clients.

Consistency, Innovation, and Prudence:

Mashreq has earned its reputation through a trifecta of consistency, innovation, and prudence. Our commitment to delivering unwavering quality has not only solidified our position as a leading financial institution but has also garnered recognition from esteemed industry bodies. This acknowledgment serves as a testament to our relentless pursuit of excellence in every facet of our operations.

At Mashreq, our legacy is not just a testament to the past; it is a compass guiding us toward a future defined by continual growth, innovation, and a steadfast commitment to our customers and stakeholders.

Global Presence:

Our influence extends far beyond national borders, reaching into major financial markets across 13 countries in Asia, Africa, Europe, and North America. This expansive footprint underscores our global relevance and the trust we instill in diverse markets.

Customer-Centric Approach:

In 2023, our unwavering dedication to customer satisfaction resulted in our combined banking services reaching approximately a million customers. This milestone reflects our commitment to delivering value-added services and pioneering solutions that resonate with the evolving needs of our diverse clientele.

1	Heritage	• Established in 1967 • 56 years of experience in the UAE banking and financial services market
2	Publicly Listed	• Oldest local bank based out of the UAE • Combines the entrepreneurial spirit of Dubai with enduring trade banking relationships across the region • Listed on the DFM on the creation of the local stock exchange (2000)
3	Strong Regional and International Presence	• Prominent local bank with a presence in most GCC countries and a leading international network of branches/representative offices in MENA, Asia, Europe and USA • Well positioned to finance regional trade flows
4	Diversified Business	• Universal bank offering a comprehensive suite of products and services to individuals and corporates across all lines of business • Diversified revenue stream with "fee and other income" contributing approximately 29% of total income
5	Experienced Management Team	• Long serving senior executives with international management expertise backed by a reputable board of directors

3.1 Ownership and Leadership

H.E. Abdul Aziz Abdulla Al-Ghurair - Chairman

Abdul Aziz Al Ghurair, the distinguished Chairman of Mashreq's Board of Directors, brings a wealth of experience from his nearly three-decade tenure as CEO. Under his visionary leadership, Mashreq evolved into a leading, customer-centric financial institution celebrated for its innovative approach. Beyond Mashreq, he holds key positions, including Chairman of the UAE Banks Federation, Chairman of the Dubai Chamber of Commerce and Industry, and leadership roles at Masafi and Oman Insurance. His commitment extends to serving as an Emeritus Chairman and Board member of Family Business Council-Gulf and Chairman of Abdullah Al Ghurair Education Foundation.

Board Of Directors

Mashreq's Board of Directors exemplifies a commitment to leadership and quality. Under the guidance of Chairman H.E. Abdul Aziz Abdulla Al Ghurair, the board, including Vice Chairman Mr. Ali Rashid Ahmed Lootah and esteemed Directors, collaborates to ensure the highest standards of leadership and quality in steering the institution towards excellence.

Role	Name
Chairman	H.E. Abdul Aziz Abdulla Al Ghurair
Vice Chairman	Mr. Ali Rashid Ahmed Lootah
Director	Mr. Rashed Saif Saeed Al Jarwan Al Shamsi
Director	Mr. Rashed Saif Ahmed Al Ghurair
Director	Mr. John Iossifidis
Director	Mr. Iyad Malas
Director	Mr. Saeed Saif Al Ghurair

Ahmed Abdelaal – Group CEO

Mr. Ahmed Abdelaal, the Group Chief Executive Officer of Mashreq, is a dynamic leader with an MBA from the London Business School. He joined Mashreq in 2017 as the Head of Corporate Banking and swiftly ascended to the role of GCEO in 2019. With 25 years of expertise in the MENA region, his experience spans corporate finance, trade finance, contracting and real estate finance, payment and cash management, and investment banking. Abdelaal's leadership is a key driver behind Mashreq's strategic success, embodying a commitment to excellence and innovation.

Mashreq Executive Management Team

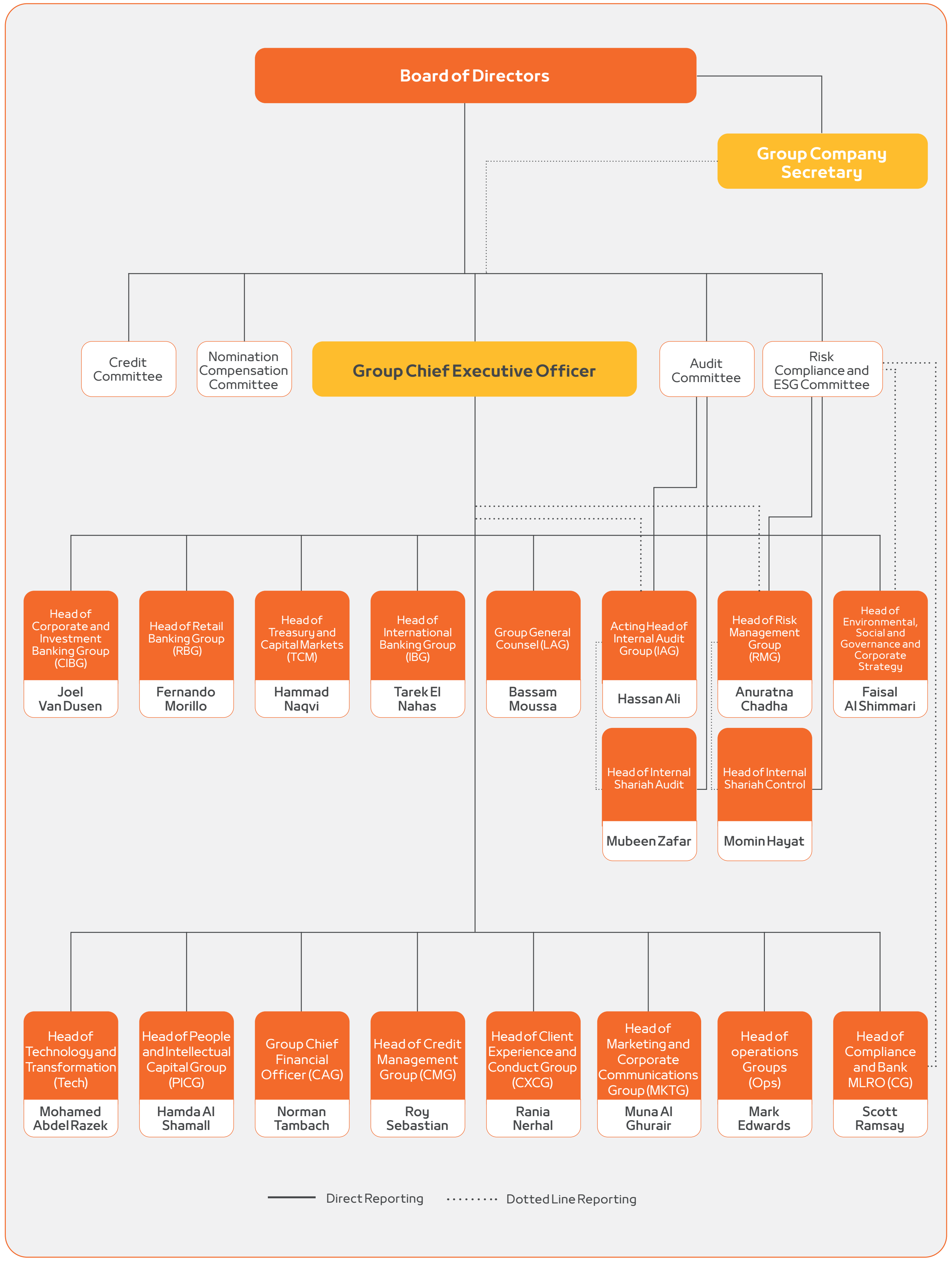
Mashreq boasts a professional and experienced management team with formidable execution capabilities. Comprising seasoned individuals at the helm, this dynamic team brings a wealth of expertise to the table, steering the bank towards success. Their collective experience spans diverse domains, enabling Mashreq to navigate the complexities of the financial landscape with agility and insight.

Focused on strong execution, the management team plays a pivotal role in translating strategic visions into tangible results, ensuring the bank remains at the forefront of innovation and excellence in the financial industry.

With a commitment to professionalism and a proven track record, Mashreq's management team stands as a driving force behind the bank's continued growth and resilience.

Mashreq boasts a professional and experienced management team with formidable execution capabilities.

Organization Structure (Dec'2023)

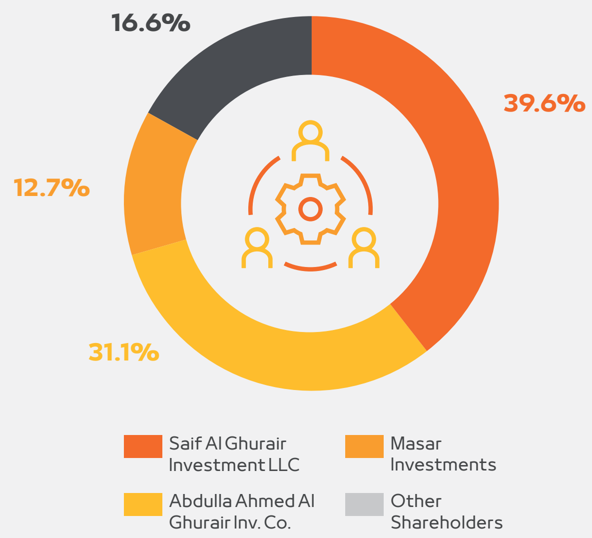


3.2 Key Shareholders

Mashreq's stable ownership structure is underpinned by robust support from its shareholders who have regarded the institution as a flagship business since its establishment.

It is worth noting that a stable ownership structure is crucial for fostering sustainable business practices, aligning with the principles of Environmental, Social, and Governance (ESG) considerations. This commitment to stability not only enhances Mashreq's corporate governance but also aligns with the broader objectives of sustainability and responsible business conduct.

As of December 31, 2023, some of Mashreq's prominent shareholders are as shown, contributing to the resilience and enduring success of the organization.



3.3 Our Product Suite

Our diverse product suite is meticulously designed to meet the dynamic requirements of our growing national and expatriate customer base. Emphasizing a commitment to financial integrity, our services adhere not only to the globally recognized International Financial Reporting Standards (IFRS) but also strictly comply with the Shariah standards outlined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

This dual adherence reflects our dedication to inclusivity and ethical financial practices, ensuring that our offerings align with both conventional and Shariah-compliant financial principles. By upholding these standards, we aim to provide a comprehensive and responsible suite of financial solutions that resonate with the diverse preferences and values of our clientele.

Wholesale Banking Group (WBG)

Offers wholesale baking inside and outside UAE

- Energy, Services and Manufacturing
- Trading
- Contracting Finance
- Real Estate
- NBFI / Financial Institutions Globally
- Emerging Corporates Division
- Global Transaction Services
- Corporate Finance
- Islamic Banking Products

Retail Banking Group (RBG)

Offers personal banking

- Personal Banking
- SME
- Mashreq Gold
- Private Banking
- Islamic Banking Products
- Distribution
- Alternate Channels
- Direct Sales
- Direct Banking Centre
- Mashreq NEO (Digital Banking)

Treasury and Capital Markets (TCM)

Offers treasury and investment products

- FX and Investments
- Rates and Structured Solutions
- Mashreq Capital
- Islamic Banking Products
- Equity Derivatives and Institutional Sales
- Marshreq Securities
- Investments

Insurance Business (Sukoon)

Offers insurance services

- Includes life, medical, motor, marine cargo and hull, aviation, property, fire and general accidents, engineering, energy, liabilities and personal line insurance

3.4 Vision, Mission and Values

Vision, mission, and values are integral to Mashreq's strategic framework. Mashreq's vision outlines its aspirational destination, emphasizing innovation and excellence in banking. The mission statement defines the bank's core purpose and activities, aligning efforts toward fulfilling long-term goals.

Ethical principles form the foundation of Mashreq's values, fostering a positive organizational culture. Together, these elements provide Mashreq with a clear direction, purpose, and a moral compass, guiding its journey towards success and positive societal impact in the banking sector.

Vision

Our Vision is to be the region's most progressive bank, enabling innovative possibilities for our clients, colleagues, and communities.

Mission

Our Mission helps us foster long - lasting relations with our stakeholders by

- ✓ Being the best place to work
- ✓ Delivering superior client experience
- ✓ Pursuing opportunities that grow value for shareholders
- ✓ Leading with innovation
- ✓ Actively contributing to the community through responsible banking

Values

Our Values reflect Mashreq's true spirit

S	P	I	R	I	T
SOCIALLY RESPONSIBLE	PASSIONATE ABOUT CLIENTS	INNOVATIVE	RESPECT FOR COLLEAGUES	INTEGRITY	TRANSPARENT

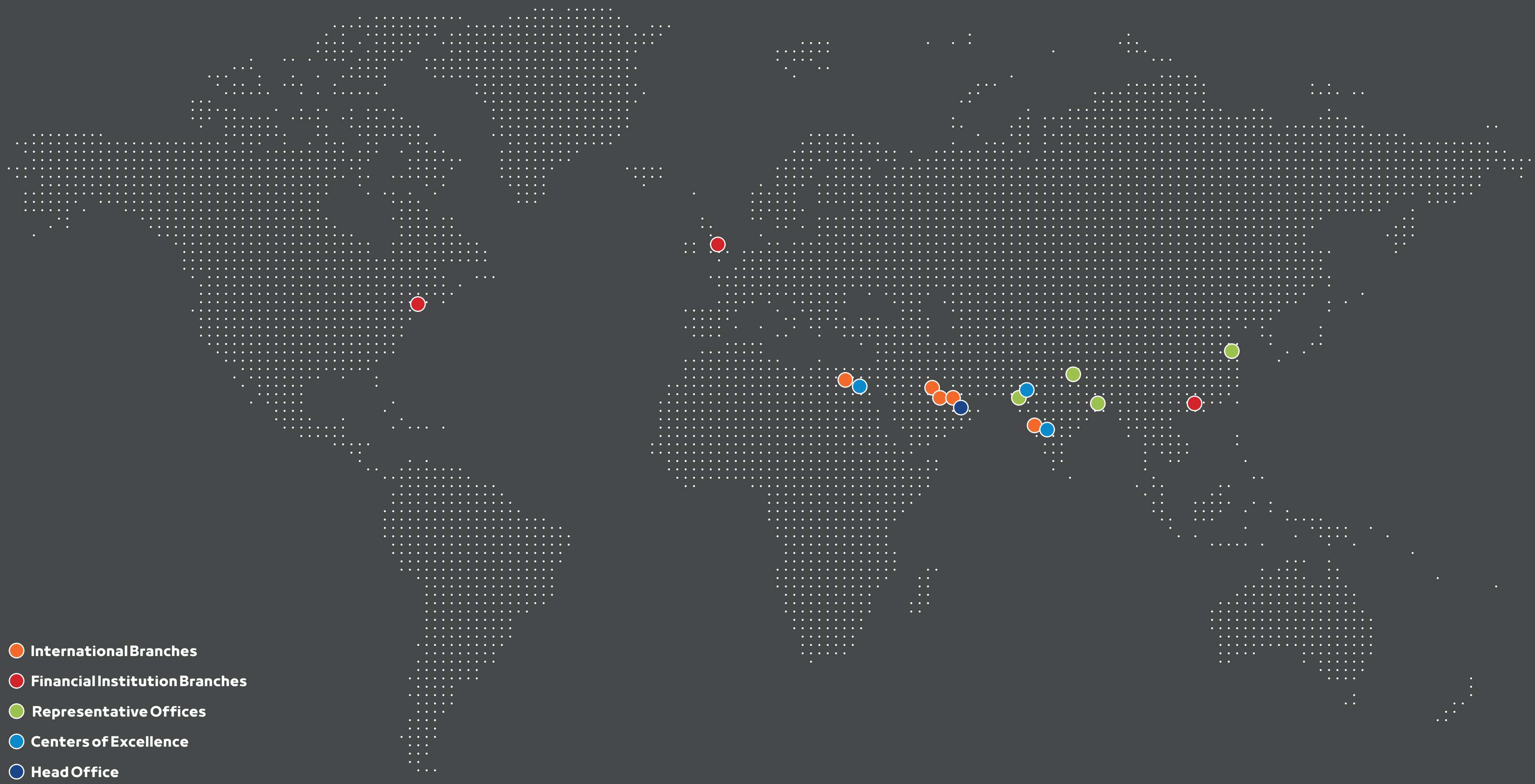
3.5 Regional and International Presence

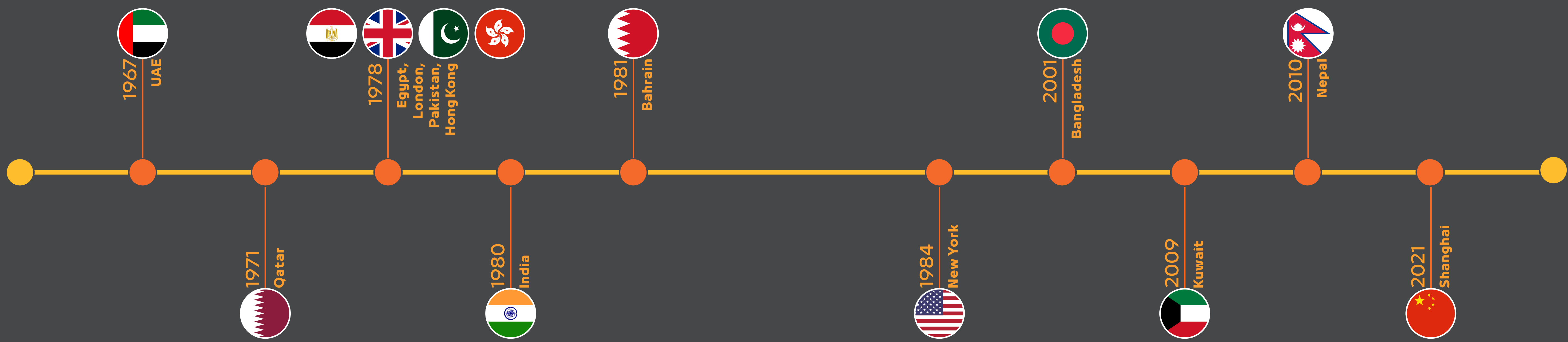
We have established a robust footprint both regionally and internationally, solidifying our position as a key player in the financial sector. Domestically, Mashreq has a comprehensive network of branches and ATMs, strategically positioned to serve the diverse needs of its customers across the United Arab Emirates.

On the international front, Mashreq has expanded its reach to key global markets, leveraging its expertise in various financial services. Through a network of correspondent banks, alliances, and subsidiaries, Mashreq facilitates seamless financial transactions and services for its clients with a global outlook.

This strategic expansion aligns with Mashreq's commitment to providing innovative banking solutions and fostering financial inclusivity beyond its home market. The bank's regional and international presence reflects its dedication to being a trusted partner for individuals and businesses, bridging opportunities across borders and contributing to the broader landscape of international finance.

Mashreq boasts a robust and commendable track record in international expansion. Leveraging its strategic vision and financial acumen, the bank has successfully extended its footprint beyond regional borders, establishing a strong presence in key international markets. This achievement underscores Mashreq's commitment to providing global financial solutions and underscores its capability to navigate and thrive in diverse economic landscapes. The bank's strong track record in international expansion highlights its adaptability, resilience, and dedication to serving a broader clientele while maintaining the highest standards of financial excellence.





3.6 Financial Performance

In the realm of sustainable banking, Mashreq stands as a testament to the harmonious blend of financial growth and sustainable practices. This section of our sustainability report is dedicated to highlighting the financial journey of Mashreq in the year 2023. We will delve into how our commitment to sustainability has not only contributed to our robust financial performance but also shaped our growth trajectory. From exploring our operating income and net profit to understanding the factors that have driven our impressive growth, we aim to provide a comprehensive overview of our financial performance. Join us as we unfold the story of Mashreq's financial success intertwined with our unwavering commitment to sustainability.

Here's a summary of Mashreq's financial performance for the year 2023:

1Q 2023: The operating income for the first quarter of 2023 increased by 67.6% compared to the same period in the previous year, reaching AED 2.5 billion. The net profit for this period was AED 1.6 billion, mainly due to increased operating income and reduced risk charge.

1H 2023: By the first half of 2023, Mashreq reported a net profit of AED 3.5 billion, representing a surge of 150%. The operating income was up mainly from increased interest income driven by organic growth across all business activities and a rising interest rate environment.

9M 2023: By the end of the third quarter in 2023, Mashreq's net profit had soared to AED 5.8 billion, a substantial increase of 122% year-on-year.

FY 2023: Mashreq achieves historical financial milestone in 2023, with its net profit soaring by an impressive 130% to reach an unprecedented AED 8.6 billion amidst exceptional income growth and significantly reduced risk costs.

These results indicate a successful growth strategy, strong operating performance, efficient cost management, and prudent risk management capabilities.

AED 239,981Mn	AED 10,803Mn	AED 8,589Mn	AED 42.82Mn	16.51%	AED 30.49Bn
Assets (Dec 2023)	Revenues (FY 2023)	Net Profit (FY 2023)	Earnings per Share (FY 2023)	Capital Adequacy Ratio (Dec '23)	Market Capital (Dec '23)

3.7 Top-Tier Ratings

In the world of banking, credit ratings serve as a testament to an institution's financial health and stability. In this section, we will explore the credit ratings of Mashreq for the year 2023. These ratings, provided by esteemed agencies such as Fitch Ratings, Standard and Poor's (S&P), Moody's, and Capital Intelligence (CI), reflect our strong financial performance and stability. They serve as an affirmation of our commitment to sustainable practices and prudent risk management.

Rating Agency	Long-Term Rating	Short-Term Rating	Outlook
Fitch Ratings	A	F1	Stable
Standard & Poor's (S&P)	A-	A-1	Stable
Moody's	Baa1	P-2	Positive
Capital Intelligence (CI)	A	A1	Stable

In the evolving landscape of banking, Environmental, Social, and Governance (ESG) ratings have become a crucial measure of a bank's commitment to sustainable practices. In this section, we will explore the ESG ratings of Mashreq for the year 2023. These ratings, provided by esteemed agencies such as Sustainalytics and KnowESG, reflect our dedication to sustainability and responsible governance.

Rating Agency	ESG Rating
Sustainalytics	28.6 (Medium Risk)
KnowESG	57 (Good)

It is worth highlighting the significant improvement of our ESG risk rating score from Sustainalytics, transitioning to a 'medium risk' category with a jump of over 300 places in the Sector ranking category

These ratings indicate Mashreq's commitment to managing its environmental, social, and governance risks.

3.8 Awards and Accolades

In the dynamic realm of banking, accolades and honors stand as tangible evidence of an institution's unwavering dedication to excellence and innovative practices. Within this segment, we delve into the prestigious awards and accolades that Mashreq achieved in the year 2023. These honors, bestowed by esteemed organizations, not only underscore the bank's commitment to delivering unparalleled service but also highlight its steadfast dedication to ESG principles. Moreover, they are a testament to the exceptional leadership demonstrated by its GCEO. The ensuing table encapsulates a snapshot of these well-deserved awards, portraying Mashreq's continuous pursuit of excellence in the financial landscape.

THE BANKER TOP 100 ARAB BANK RANKINGS

Mashreq ranked 1st Best Performing Bank in the UAE - Strong profits helped Mashreq retain its position as the UAE's best-performing bank for the second year in a row, recording table-topping scores for growth, profitability, asset quality, return on risk and liquidity.

EUROMONEY AWARDS FOR EXCELLENCE

Best Digital Bank in the Middle East

Mashreq has been awarded the title of Middle East's Best Digital Bank in the regional awards category by Euromoney Awards for Excellence 2023 for the fourth consecutive year thereby cementing its position as the region's most progressive challenger bank.

EUROMONEY ISLAMIC FINANCE AWARDS 2023

Mashreq Al Islami - Best Islamic Digital Bank - Global

Mashreq Al Islami has been presented with the world's ***"Best Islamic Digital Bank Globally"*** by prestigious Euromoney Islamic Finance Awards 2023.

EUROMONEY CASH MANAGEMENT SURVEY

Mashreq has received outstanding recognition in the Euromoney Cash Management Survey 2023, on a global, regional, and country-level in various categories, and named Market Leader in the UAE for 4 consecutive years.

EUROMONEY TRADE FINANCE SURVEY

Mashreq has been recognized as the Market Leader in the UAE for the third year in a row in the 2023 Euromoney Trade Finance Survey, the Bank also topped the Best Service category in Bahrain, Kuwait, Qatar, and Bangladesh.

BEST COMMITMENT TO ESG PRINCIPLES UAE 2023

Recognized for Mashreq's unwavering commitment to ESG principles at the 2023 International Banker Awards.

GREAT PLACE TO WORK

Mashreq Global Network India has earned the prestigious 'Great Place to Work (GPTW)' certification, for a second consecutive year. The certification program is considered, world over, as the most definitive Employer of Choice recognition, a Gold Standard in identifying great workplace cultures.

These awards and accolades underscore Mashreq's commitment to excellence, innovation, and sustainability.

4. Sustainability Framework

Since its establishment in 1967, Mashreq has consistently embraced the core tenets of Social Responsibility, Integrity, and Transparency, ingraining them into every facet of its operations. This unwavering commitment has positioned Mashreq as a stalwart contributor to the cause of building a sustainable planet.

As a financial institution founded on the bedrock of Social Responsibility, Integrity, and Transparency, Mashreq places paramount importance on fostering robust Environmental, Social, and Governance (ESG) practices throughout the organization. Our enduring legacy of ESG commitment is manifested through meticulously crafted policies, streamlined processes, and sustainable operations that reflect our dedication to responsible banking.

Mashreq's dedication to sustainability transcends mere adherence to economic, legal, or regulatory standards. It embodies our steadfast resolve to generate enduring value for our clients, stakeholders, and society on a global scale.

We have a demonstrated history of addressing the intricate interplay between our operations and their broader impact on society and the environment.

Our pledge is not only to acknowledge these impacts but to actively mitigate and address them through sustainable business principles. We are ardent proponents of co-creating sustainable business value that resonates with all our stakeholders. This commitment is not merely an obligation; it is a conscious effort to usher in positive change and contribute meaningfully to a more sustainable future.

4.1 Our Sustainability Vision

Mashreq will aspire for Sustainability leadership in the regional banking sector. It's our commitment to our clients, our stakeholders and to society.

4.2 Our Sustainability Philosophy

Our Sustainability philosophy is that by strengthening the environmental and social aspects of products and services, we exemplify the ideals of sustainable finance. We pledge to establish a governance framework to direct all our efforts to lead the regional banking sector in ESG and Sustainability initiatives.

We are dedicated to incorporating ethical, social, and environmental principles into our operations, which is important in enhancing the standard of living in the communities we serve globally and increasing long-term stakeholder value.

4.2.1 Our principles

We shall:

- Incorporate sustainability considerations into business decisions and key work processes to create value, mitigate future risks, and maximize opportunities.
- Adhere to the highest governance and transparency standards.
- Prioritize and manage financial resources through responsible banking services and products to support our customers in constructing a more sustainable and environmentally friendly future.
- Provide employees and business associates with clean, safe, healthy, and equitable working conditions.
- Strive to be preferred neighbours in the communities where we operate, contributing to their broad-based and inclusive development.

4.2.2 Our Commitments

We will aspire for Sustainability Leadership in the regional banking sector and will:

- Establish a governance structure to oversee our sustainability commitments.
- Identify relevant and material sustainability issues and develop comprehensive sustainability strategies with goals, targets, mitigation and adaptation action plans to address them under the supervision of our Board.
- Report in accordance with global reporting frameworks.

Our pledge is not only to acknowledge these impacts but to actively mitigate and address them through sustainable business principles.

4.3 Our Sustainability Strategy

Our focal business strategy revolves around sustainability, emphasizing measures to minimize our environmental impact across the value chain. Prioritizing diversity and the well-being of our workforce is integral to all our endeavors. We firmly believe that sustainability serves as a catalyst for value creation and the generation of new revenue streams. As pioneers in this arena, our aspiration is to seize innovative competitive opportunities while concurrently delivering tangible environmental and social benefits.

Mashreq's ESG commitment is firmly embedded in the governance structures, led by our Board of Directors and Senior Management Team. Business leaders take charge of addressing materiality issues, guided by our Sustainability department to ensure alignment and successful implementation.

Aligned with our overall banking strategy focused on simplicity through digitization and customer-centric policies, processes, and products, our Sustainability strategy is intricately woven into the three key pillars of our bank's overarching strategy. This alignment underscores our dedication to creating shared value between Mashreq and its stakeholders.

Our strategic priorities, encapsulated in our commitment to simplify banking through digitization and the creation of policies, processes, and products tailored to customer needs, are instrumental in fostering shared value between Mashreq and its stakeholders. This approach mirrors our belief that sustainable banking practices are not only responsible but also integral to our core business strategy.

Mashreq's strategic priorities harmoniously align with sustainability values, creating a seamless integration that not only reflects our commitment to responsible banking but also underscores the symbiotic relationship between sustainable practices and long-term business success.

Three Key Pillars of the Bank's Strategy

Put Our People First	Deliver Superior Client Experience	Deliver Shareholder Value
Become the best workplace in the UAE and a top talent house in the banking sector.	Be recognized by our customers, competitors and stakeholders as the best-in-class end to end (E2E) customer experience provider in the sector across the entire region.	Achieve sustainable and profitable growth and enhance financial returns to our shareholders.

4.3.1 Mashreq's 4E Framework

Our governance process stands as a robust mechanism for identifying critical sustainability-related issues, culminating in the formulation of clear and comprehensive strategies. These strategies encompass well-defined goals, precise targets, and actionable plans for both mitigation and adaptation. At the heart of this governance approach lies Mashreq's unwavering dedication to strategic sustainable development, epitomized by our 4E Sustainability Framework outlined below.

المشرق
mashreq

4E Sustainability Framework

Enabling a low carbon transition and Environmental stewardship	Empowering Employees and Communities	Embedding responsible business practices throughout our organization

Exceeding customer expectations

4.3.2 Mashreq's 4E Framework: Enablers

In our pursuit of a successful implementation of our sustainability strategy, we have meticulously identified key enabling factors through the lens of our comprehensive 4E framework. This framework serves as a guiding beacon, encapsulating the essential elements that fuel and sustain our commitment to sustainability. These enabling factors are strategically interwoven into the fabric of our approach, fortifying our capacity to navigate the complexities of sustainable business practices with efficacy.

Alignment → Impact and Target setting → Governance and Culture

Training and Development

Responsible products and services → Responsible supply chain → Operational footprint

ESG Data Analysis and Feedback Loops

Communications → ESG Reporting

Business Outcome

4.4 Sustainability Highlights for the Year 2023

- Mashreq has embarked on a comprehensive journey of ESG education, permeating every level of the organization, starting from the board itself. This extensive training program encompasses a broad spectrum of crucial topics such as ESG awareness, understanding climate risk, and the intricacies of sustainable finance, thereby fostering a culture of sustainability and responsibility throughout the bank.
- Mashreq has introduced the Nature Saver Account in the UAE, a digital platform that allows customers to donate a portion or all of their savings profit to Emirates Nature-WWF. The donations support the protection and restoration of diverse habitats and ecosystems, as well as the protection of the UAE's wildlife and endangered species.
- Mashreq has been recognized as a leading contributor to the UAE Banks Federation's pledge of mobilizing AED 1 trillion in sustainable finance by 2030. This was announced at the Global Climate Action event at COP28. Mashreq is committed to facilitating AED 110 Billion ($30 Billion) in sustainable finance by 2030, supporting various adaptation-related projects across the Middle East.
- Mashreq has received a prestigious award at the 2023 International Banker Awards namely "Best Commitment to ESG Principles UAE 2023". The International Banker Awards are considered the gold standard in recognizing global excellence in the financial industry.
- Mashreq has been awarded the prestigious Majra Impact Seal – Gold Tier 2022 at the 'World with Purpose 2023 Summit'. The bank is committed to sustainable impact practices, ESG principles, and supporting the UN SDGs and UAE's national priorities. This recognition underscores Mashreq's pioneering role in the region and its commitment to Majra's strategic objectives.
- Mashreq was an Associate Pathway Partner at COP28, a UN Climate Change Conference held in the UAE. As the sole MENA region bank sponsor of COP27, Mashreq continued its commitment at COP28 to advance sustainable finance and climate action. This aligns with the UAE's climate action plan, highlighting Mashreq's dedication to sustainability.
- Mashreq has pledged to the globally recognized Science Based Targets initiative's (SBTi) Corporate Net-Zero Standard. This commitment aligns Mashreq's Net-Zero plans with scientific evidence and sets science-based carbon targets. It marks the beginning of a 5-phase process where Mashreq will define its Net-Zero targets with SBTi and annually report its emissions.
- Mashreq, partnering with Visa and ecolytiq, is introducing a first-of-its-kind personal banking platform offering carbon emissions insights to its customers in the UAE and MENA region. The platform calculates carbon emissions from transactions, promoting transparency and climate-positive actions.
- Mashreq recently launched Climb2Change, a global initiative integrating the bank's extensive ESG efforts, sustainable finance commitments, and aspirations for environmental and social impact. In partnership with climbers who conquered Burj Khalifa, this initiative, announced on the eve of COP28, emphasizes Mashreq's commitment to sustainability. The Climb2Change initiative aims to clean up the world's largest mountains through expeditions to 14 peaks, with a unique climb-clean-up challenge scheduled for 7 peaks' summits and 7 base camps and first phase of the initiative is completed.
- Mashreq has made commendable progress in its commitment to environmental, social, and governance (ESG) principles. This is reflected in the significant improvement of its ESG risk rating score from Sustainalytics, transitioning from a 'severe risk' category to a 'medium risk' category.
- Mashreq has launched Notice Nature, a unique wildlife mapping initiative in the UAE, in partnership with Emirates Nature-WWF. The initiative aims to evaluate and protect the UAE's biodiversity. Additionally, Mashreq has adopted 100% recycled plastics for all card issuances, aligning with global environmental efforts and reinforcing its commitment to sustainability.
- One of our greatest achievements has been facilitating over 30 deals in sustainable financing since 2021. We recently closed a landmark deal of structuring and underwriting Bapco Energies' $2.5 bn Dual Tranche (Islamic\Conventional) Syndicated Sustainability-linked loan (SLL), which, to date, is the largest Sustainability-linked loan in MENAT. This achievement underscores our commitment to sustainable finance and our ability to exceed expectations.
- Mashreq Global Headquarters became the first commercial tower in UAE and the second in the Middle East to achieve the Leed Zero Energy (Leadership in Energy and Environmental Design) certification by the US Green Building Council in recognition of its efforts in addressing net-zero resources (energy, water, and waste) and net-zero carbon operations.

5. Stakeholders Engagement

To wield significant influence through impactful initiatives aimed at tackling complex challenges, it is imperative for us to comprehensively grasp the needs and expectations of all our stakeholders. Our overarching objective is to deliver outcomes that generate value for both major internal and external stakeholders.

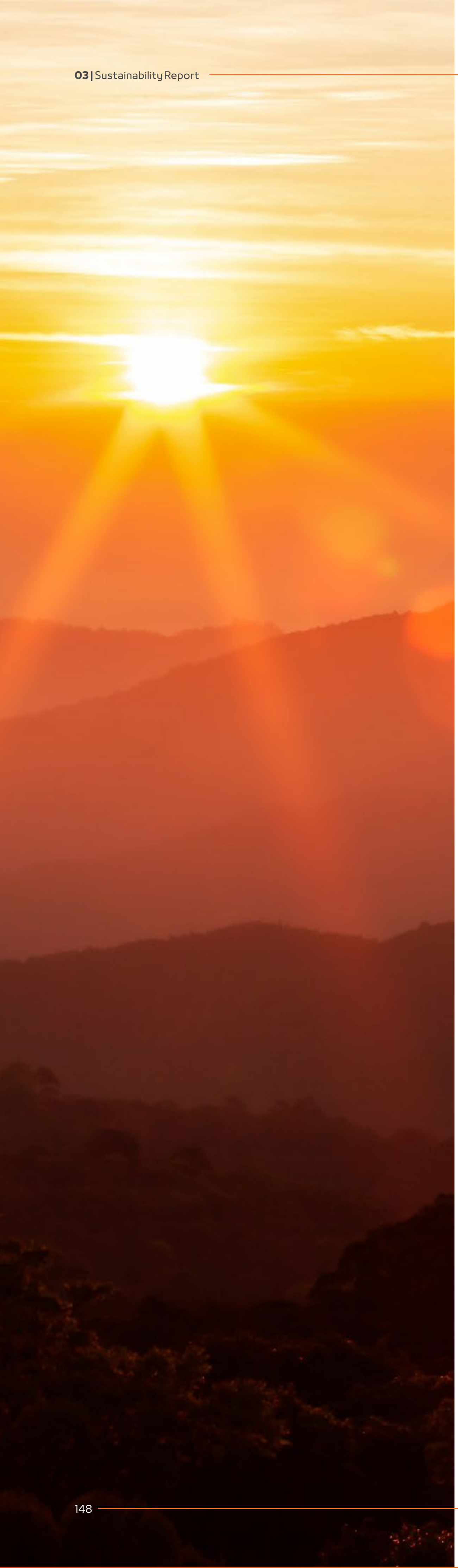
We proactively foster a culture of interaction, communication, and collaboration with our stakeholders, facilitating a dynamic exchange of ideas and perspectives. This proactive engagement serves as a catalyst for the co-creation of solutions that are mutually beneficial. Beyond discourse, our commitment extends to active participation in Corporate Social Responsibility (CSR) initiatives, community development projects, and environmentally sustainable endeavors. We leverage a diverse range of communication channels to ensure effective and inclusive dialogue, fostering deeper connections with our stakeholders.

In our pursuit of transparent and ethical business practices, we have meticulously crafted an inclusive stakeholder engagement process. This process is designed to establish enduring and mutually beneficial partnerships. The commitment to transparency and inclusivity is underscored by the creation of a structured framework that guides our interactions.

The table below provides a snapshot of the stakeholders we have identified, outlining the modes of engagement and the frequency of our interactions. This structured approach allows us to forge lasting connections, ensuring that our stakeholder relationships are not just transactional but are rooted in shared values and sustained collaboration.

Stakeholder 1: Employees	
Engagement Aspect	**Description**
Surveys	Conduct regular Employee Engagement Surveys and Exit Surveys to gauge satisfaction and identify areas for improvement.
Meetings	Host town hall meetings, small group sessions, and GCEO-led sessions to discuss business strategy, industry trends, and address employee queries.
Focus Groups	Organize focus groups for in-depth discussions on specific topics, gathering insights and feedback from employees.
Written Communication	Utilize blogs, articles, corporate emails, and newsletters to keep employees informed about organizational updates and initiatives.
Online Feedback Tools	Implement online feedback mechanisms to encourage real-time input from employees, fostering continuous dialogue and responsiveness.

Stakeholder 2: Investors and Shareholders	
Engagement Aspect	**Description**
Annual Reporting	Publish detailed Annual Reports and Proxy Statements transparently covering Financial results, corporate governance, and sustainability practices.
Regulatory Filings	Regularly update regulatory filings, news releases, and maintain an informative Company website as a centralized source of information for investors and shareholders.
Investor Meetings and Conferences	Actively participate in investor meetings, conferences, and annual shareholder meetings to discuss critical issues such as corporate governance, financial performance, key initiatives/ updates and sustainability.
Direct Communication	Engage in direct communication outside established channels to foster open dialogue, gather valuable input, and address specific concerns or inquiries from investors and shareholders.
Stakeholder 3: Customers	
Engagement Aspect	**Description**
In-person Interactions	Facilitate in-person interactions at branches, providing personalized assistance and building strong relationships with customers.
Online Engagement	Enhance online engagement through the website, customer care center, and social media channels, ensuring accessibility and responsiveness to customer feedback and inquiries.
Surveys and Meetings	Conduct regular surveys, one-on-one meetings, roundtables, and conferences to actively seek and respond to customer input on products, services, and overall organizational performance.
Stakeholder 4: Suppliers and Vendors	
Engagement Aspect	**Description**
Regular Business Reviews	Conduct regular business reviews to evaluate efficiency, service delivery, and alignment with client demands, fostering a collaborative relationship with major suppliers.
Ad Hoc Meetings	Schedule ad hoc meetings to address specific issues, discuss ongoing projects, and ensure effective communication and coordination with key suppliers.
Communication Channels	Utilize various communication channels, including phone and email, to maintain consistent and transparent communication with suppliers, promoting adherence to high business conduct standards.
Collaboration for Impact	Collaborate with suppliers to have a positive impact on the communities where business is conducted, emphasizing diversity, equality, and inclusion as shared objectives.
Stakeholder 5: Communities	
Engagement Aspect	**Description**
Various Forums	Actively engage in various forums to interact with external stakeholders, including community members and NGOs, fostering a two-way dialogue for mutual understanding.
Local Engagement	Identify and engage with relevant community members for localized initiatives, ensuring the incorporation of diverse perspectives in decision-making processes.
Two-Way Dialogue	Establish a structured corporate responsibility team to facilitate two-way dialogue with communities, ensuring that their viewpoints influence business choices.
Stakeholder 6: Government and Regulators	
Engagement Aspect	**Description**
Open and Continuing Dialogue	Endeavor to maintain an open and continuous dialogue with supervisory regulators and policymakers on various issues, fostering collaboration and mutual understanding.
Collaboration on Key Issues	Work collaboratively with policymakers on a range of issues, including banking, financial services, cybersecurity, workforce development, and inclusive economic growth.
Interaction and Feedback Process	Regularly interact with regulators as required for business operations, offering feedback on proposed changes to rules that may impact business activities.



6. Materiality Assessment

In the dynamic landscape of sustainability reporting, the "Materiality Assessment" stands as the linchpin, guiding organizations to discern and prioritize the issues that truly matter. This pivotal process encapsulates the formidable challenge of comprehending the nuanced significance of various aspects, distinguishing the truly impactful from the inconsequential. Essentially, materiality identifies and prioritizes the economic, environmental, and social factors that wield substantial influence on an organization or significantly shape the perspectives and decisions of its stakeholders.

Materiality serves as the conduit for seamlessly integrating sustainability issues into the core fabric of an organization's business strategy. It empowers the organization to not only navigate the complex terrain of risks and opportunities associated with these issues but also to proactively address them. By aligning with material concerns, an organization fortifies its resilience and agility, effectively positioning itself to capitalize on emerging opportunities and mitigate potential risks.

Our Materiality Assessment process is meticulously crafted to navigate this intricate journey. The process unfolds as follows:

Identification: Rigorous scrutiny and analysis to pinpoint potential material issues, considering their potential impact on economic, environmental, and social dimensions.

Stakeholder Involvement: Active engagement with stakeholders to gain diverse perspectives, ensuring a holistic understanding of their expectations and concerns.

Assessment Criteria: Application of robust criteria to evaluate the significance of identified issues, considering factors such as financial impact, regulatory implications, stakeholder expectations, and broader societal trends.

Prioritisation: Methodical ranking of issues based on their materiality, distinguishing between those that are of paramount importance and those of lesser significance.

Integration: Seamless integration of identified material issues into the core business strategy, ensuring that sustainability becomes an intrinsic part of decision-making processes and operational considerations.

By adhering to this systematic and comprehensive Materiality Assessment process, we not only fulfill reporting obligations but also elevate sustainability to a strategic imperative, fostering a resilient, forward-thinking, and responsible organizational ethos.

6.1 Materiality Assessment Approach

Conducting a meticulous Materiality Assessment for both our internal and external stakeholders involved a comprehensive and strategic approach:

1. Identification of Potential Material Topics (PMTs):
We initiated the process by identifying Potential Material Topics (PMTs) through a thorough examination of subjects relevant to the Banking and Financial Services sector, coupled with a keen awareness of global sustainability trends.

2. Finalization of PMTs through Management Review:
The initially identified PMTs underwent a rigorous review process led by management, ensuring a comprehensive evaluation and validation of each topic's significance.

3. Stakeholder Engagement:
Key internal and external stakeholders were meticulously identified for engagement in the subsequent stages of the assessment, recognizing the pivotal role they play in shaping perspectives and expectations.

4. Designing an Inclusive Online Survey Questionnaire:
To gather insights and perspectives, we crafted a thoughtful online survey questionnaire. This tool was designed to be inclusive, ensuring the collection of feedback from all identified stakeholders.

5. Consolidation of Survey Responses:
A total of 212 survey responses were meticulously consolidated, providing a rich dataset reflecting the diverse viewpoints and preferences of our stakeholders.

6. Consultation with Senior Management:
To refine and distil the insights gathered, a dedicated consultation session with senior management was conducted. This additional layer of insight helped to contextualize the survey responses and align them with strategic organizational goals.

7. Finalization of 11 Most Material Topics:
Through a collaborative effort involving survey feedback and senior management insights, a total of 11 topics emerged as the most material for our organization. These topics encapsulate the core concerns that hold significant relevance to both our internal operations and external stakeholder expectations.

By undertaking this systematic and inclusive Materiality Assessment, we ensure that the identified material topics resonate with the broader industry context, global sustainability imperatives, and, most importantly, the nuanced expectations of our stakeholders. This process not only enhances our transparency but also positions us strategically to address and excel in the areas that matter most to our stakeholders and our business.

6.2 Stakeholders Feedback on Material Issues and Key Risks

The insights garnered from our comprehensive engagement survey provided a valuable window into stakeholders' perceptions regarding the prominent risks facing the banking and financial services sector. Across diverse stakeholder groups, the following key risks emerged as significant focal points:

1. Cybercrime and Data Security:
The evolving landscape of cyber threats and the paramount importance of safeguarding sensitive data were prominently recognized as critical challenges.

2. Economic Instability and Credit Risk:
Stakeholders underscored concerns related to economic uncertainties and the associated credit risks that could impact the stability and performance of the sector.

3. Internal Governance Mechanisms:
The effectiveness of internal governance mechanisms was identified as a pivotal factor, reflecting the importance of robust structures and practices within organizations.

4. People Risks:
Acknowledging the essential role of human capital, stakeholders highlighted concerns related to workforce management, talent retention, and skill development.

5. Disruptive Technologies:
The advent of disruptive technologies emerged as a notable risk, emphasizing the need for adaptability and proactive strategies to navigate technological transformations.

6. Shifting Regulations and Compliance:
The dynamic nature of regulations and compliance requirements featured prominently, signifying the challenge of staying abreast of evolving legal landscapes.

7. Business Ethics:
Stakeholders emphasized the paramount importance of upholding high ethical standards, recognizing the profound impact ethical considerations can have on reputation and trust.

8. Customer Experience and Retention:
Enhancing customer experience and ensuring retention emerged as critical factors, reflecting the recognition that customer-centric strategies are integral to sustained success.

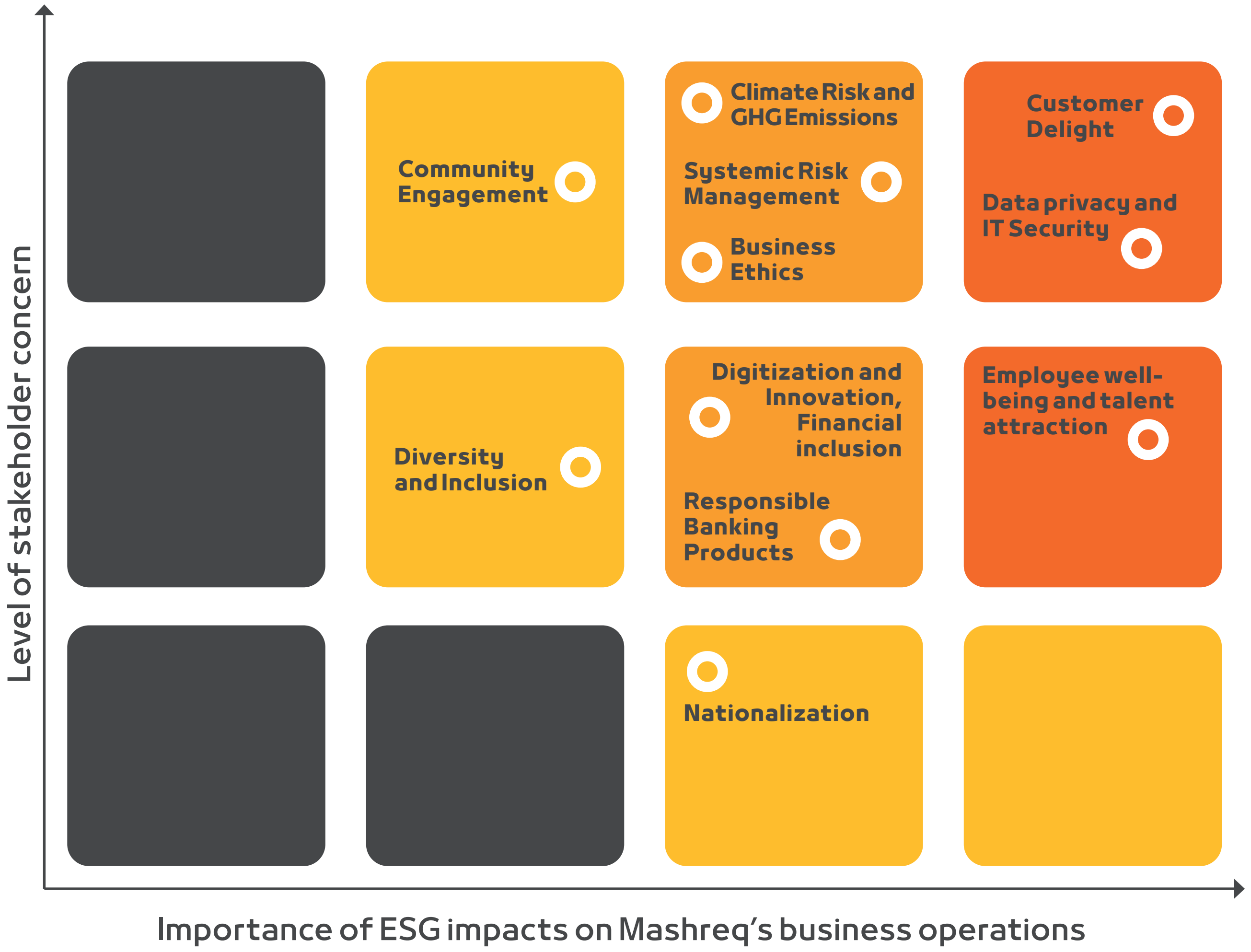
This comprehensive identification of key risks reflects not only the diversity of challenges faced by the banking and financial services sector but also provides a strategic foundation for addressing these concerns. By aligning our approach with stakeholder perceptions, we fortify our ability to proactively mitigate risks and navigate the intricacies of an ever-evolving industry landscape.

6.3 Material Issues

The initial qualitative feedback gathered during stakeholder sessions underwent transformation into a secondary quantitative score for each stakeholder category. Utilizing a weighted average approach, the final average score for potential material topics was calculated. These scores were then converted into percentiles and grouped accordingly.

After extensive discussions with Mashreq's senior management, 11 topics deemed most critical to the bank's business were identified and visualized on an X-Y cartesian plane to construct the Materiality Matrix.

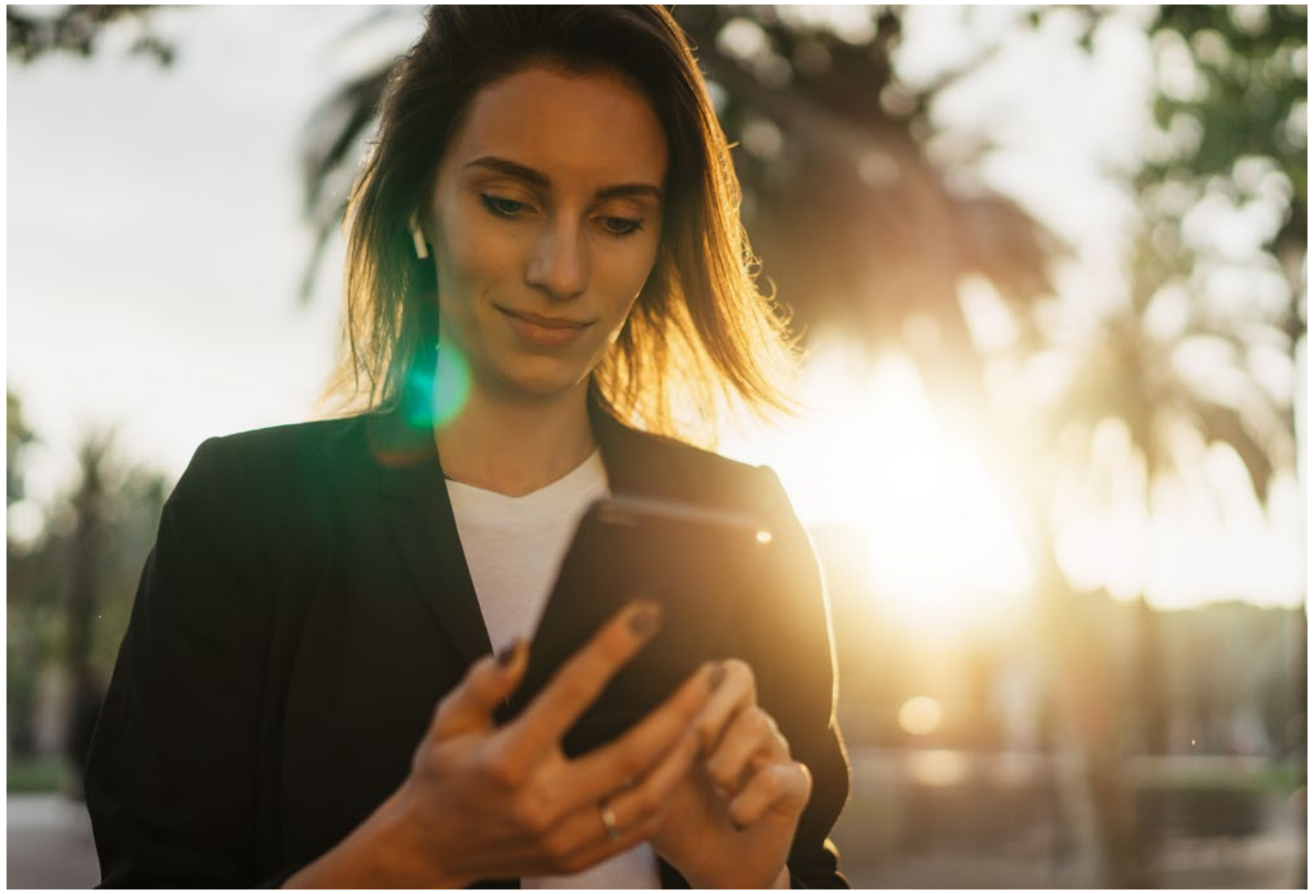
Following stakeholder engagement and topic mapping, in-depth one-on-one interviews were conducted with senior management, including the Sustainability Working Group. These interviews facilitated the collection of qualitative data, providing insights into the strategic perspectives of the Bank's leadership regarding its current ESG approach and future vision. Through this comprehensive assessment, coupled with inputs from senior management, the list of material topics was meticulously refined and organized.



6.3.1 Material Issues Mapped Against Mashreq 4E Sustainability Framework

Mapping material issues against the Mashreq 4E Sustainability Framework is crucial for a comprehensive sustainability strategy. This process ensures alignment with key environmental, social, and governance (ESG) factors, promoting a holistic approach toward sustainability.

Enabling a Low Carbon Transition and Environmental Stewardship	
Climate Risk and GHG Emissions	
Empowering Employees and Communities	
Diversity and Inclusion	Nationalization
Employee Well-being and Talent Attraction	Community Engagement
Embedding Responsible Business Practices throughout our Organization	
Systemic Risk Management	Data Privacy and IT Security
Business Ethics	
Exceeding Customer Expectations	
Responsible Banking Products	Digitization and Innovation
Customer Delight	Financial Inclusion



7. Corporate Governance, Compliance and Risk Management

Corporate governance, the cornerstone of our business, stands tall as a fundamental pillar within our Sustainability framework. Our governance structure, intricately woven with our core values, plays a pivotal role in shaping our organizational culture, ensuring regulatory compliance, nurturing dynamic relationships with both internal and external stakeholders, and championing transparency and disclosures. This unwavering commitment propels us to continually aspire to meet the most elevated ethical standards, fostering effective decision-making that not only meets but surpasses client expectations, thereby engendering sustained long-term value for our esteemed shareholders.

Our adept corporate governance procedures serve as a cornerstone in safeguarding the diverse interests of stakeholders, including consumers, clients, employees, shareholders, and communities. At Mashreq, we firmly believe that enduring success hinges on steadfast adherence to our Business Principles. These principles, meticulously crafted, guide us in fortifying, safeguarding, and nurturing the growth of our company over time. Their consistent application transcends lines of business and geographies, underlining our commitment to responsible and sustainable business practices.

7.1 Governing Bodies and Committees

7.1.1 The Board of Directors

Our robust corporate governance infrastructure is fortified by clearly defined roles and responsibilities allocated to decision-makers across various echelons, commencing with the Board of Directors. Emanating from shareholder elections, the Board assumes a pivotal role in overseeing the comprehensive corporate governance framework of the bank. This oversight encompasses charting the company's strategic ambitions, empowering leadership to execute these objectives, vigilant supervision of business management, transparent reporting to shareholders on their stewardship, and safeguarding the rights and interests of minority shareholders. The Board's performance is rigorously scrutinized in alignment with pertinent laws, regulations, and decisions emanating from shareholder general assembly meetings.

The governance structure of the organization, inclusive of committees constituting the highest governance body, is delineated as follows:

BOARD SUPERVISION

Chairman, Vice-Chairman and five Directors form Mashreq's Board. Two of the seven board members are independent; the Board of Directors meet at least 6 times a year.

Management issues are raised at Board level where the bank's senior management presents details to the Board; Board has delegated certain powers to GCEO for effective day-to-day management.

The Chief Risk Officer (CRO) and Head of Compliance report to GCEO and Head of Audit reports to Audit Committee, Company Secretary reporting to the Board (Chairman).

To achieve high standards of Shari'ah Compliance, we have an Internal Shari'ah Supervision Committee that supervises every step of Islamic product development and its related contracts.

Nomination and Compensation Committee | **Audit Committee** | **Risk, Compliance and ESG Committee** | **Credit Committee**

MANAGEMENT SUPERVISION

Executive Management Committee (reporting to the GCEO) discusses and debates bank-wide issues, develops strategic plans for the Board's approval and takes decisions on pan-bank issues

EXECUTIVE MANAGEMENT COMMITTEE

Enterprise Risk Committee | Investment Committee | Asset-Liability Committee | Compliance Risk Management Committee | Information Security Committee | Technology Steering Committee | Sustainability Executive Committee

To ensure the preservation of board independence, our corporate governance policy explicitly prohibits the GCEO from concurrently serving as the Board Chair. Within our board composition of 7 directors, a noteworthy 29% are designated as independent directors, contributing to a balanced and impartial decision-making process.

Directors are elected by our shareholders to serve 3-year terms, a tenure determined through a meticulous evaluation of their qualifications, experience, and managerial expertise. Upon assuming office, all elected directors are obligated to disclose any transactions involving the bank's shares and declare their personal interests, thereby upholding a commitment to transparency and ethical conduct.

The Board convenes on a quarterly basis, having met 7 times during the fiscal year 2023, signifying a proactive approach to governance and oversight.

Board members receive fixed annual remuneration, aligning with established standards. The proposed remuneration for the year 2023, subject to approval at the annual general assembly meeting, is outlined as follows:

a) Chairman - AED 550,000

b) Board Members (each) - AED 450,000

In 2023, we maintained a commitment to equitable compensation practices, with the GCEO's total compensation standing at a ratio of 15.9:1 with respect to the median Full-Time Equivalent (FTE) total compensation. This crucial metric underscores our dedication to transparency in financial and non-financial disclosures, as it is consistently reported in regulatory filings, reinforcing our pledge to stakeholders and regulatory authorities alike.

Directors are elected by our shareholders to serve 3-year terms, a tenure determined through a meticulous evaluation of their qualifications, experience, and managerial expertise.

7.1.2 Board Committees

The Board has established four committees to facilitate the efficient execution of its diverse functions. The responsibilities and roles of the committee delegates are explicitly outlined in their respective charters. These charters undergo regular reviews and updates to ensure they remain aligned with the dynamic needs and evolving landscape of our organization, fostering a proactive and adaptive approach to governance.

Committee	Functions
Audit Committee	The Audit Committee convened 5 times during the year. Its primary functions involve reviewing the financial reporting process and overseeing the activities and effectiveness of the Bank's internal and external auditors.
Credit Committee	The Credit Committee held 3 meetings throughout the year. Its core responsibility is to exercise oversight of credit approvals, ensuring appropriate credit decisions aligned with the Bank's credit risk appetite, with recommendations provided to the Board.
Risk, Compliance and ESG Committee	The Risk, Compliance and ESG Committee met 5 times in the year. Its principal function is to oversee key risk and compliance matters, in addition to emerging ESG matters, making appropriate recommendations to the Board on the compliance status of the group, and on the risk appetite framework as recommended by the Enterprise Risk Committee (ERC).
Nomination and Compensation Committee	The Nomination and Compensation Committee convened 5 times during the year. Its main functions encompass ensuring an appropriate composition of the Board, Senior Management, and staff; planning for orderly succession in both Board and Senior Management positions; evaluating Board performance; and ensuring the remuneration framework aligns with the Bank's risk appetite, business strategy, culture, values, and long-term interests, while complying with UAE Central Bank regulations.

7.1.3 Management Committees

To oversee the day-to-day operations spanning various departments and processes within the bank, we have established 8 management sub-committees that work in tandem with the Executive Committee to provide comprehensive support.

Committee	Responsibility
Executive Committee (EXCO)	The EXCO is the most senior management committee. It oversees all of Mashreq's businesses and operations.
Assets and Liabilities Committee (ALCO) and Islamic ALCO	The primary objective of ALCO will be to manage the liquidity of the Bank ensuring that it pays its obligations in a timely manner and to manage interest rate risk for the bank. Islamic ALCO is focused on Islamic division of the bank and Shariah aspects with same objectives of the Group ALCO.
Investment Committee (IC)	IC's primary objective is formulating strategies, policies, and limits within which investments of the Bank are to be executed and approving bank-wide investment in securities in the UAE and all International Banking Group ("IBG") locations in addition to Investment Policies. Furthermore, periodically reviewing and monitoring the performance of the Bank's investment portfolios.
Compliance Risk Management Committee (CRMC)	The CRMC assists in the fulfilment of oversight responsibilities by the Bank's Senior Management for monitoring of regulatory compliance, including anti-money laundering matters, terrorism finance issues, Know Your Customer matters, sanction matters and Anti-bribery and corruption considerations (excluding fraud risk) also include consideration of reputational risks linked to Mashreq customers, jurisdictions in which Mashreq operates as well as products and services offered.

Committee	Responsibility
Enterprise Risk Committee (ERC)	The ERC is responsible for formulating the bank wide approach to risk management and to communicate the approach across the Bank. The Committee will have the mandate to develop and recommend the overall risk strategy, risk governance framework and Risk Appetite Statement (RAS) to the Board Risk Compliance and ESG Committee for approval. The Committee, on behalf of the Board Risk Compliance and ESG Committee, will monitor to ensure that the Bank operates within the established risk governance framework, risk appetite and risk limits.
Sustainability Executive Committee (SEC)	The SEC was set up in late Q3 2023 and the main purpose of this Committee is to support Mashreq's ongoing commitment to Sustainability and sustainability linked finance initiatives. This includes but is not limited to Environmental, Social and Corporate Governance ("ESG") responsibilities, as relevant to the Group.
Technology Steering Committee (TSC)	The TSC is the most senior management committee which provides governance and oversight over Mashreq's technology strategy and execution.
Information Security Committee (ISC)	The ISC is the highest-level committee that governs information security across the whole bank.

Furthermore, we have established an Internal Shari'ah Supervision Committee dedicated to upholding rigorous standards of Shari'ah Compliance. This committee engages eminent scholars from the realm of Islamic Finance who meticulously oversee each phase of Islamic product development and its associated contracts, ensuring adherence to the principles of Islamic law.

7.1.4 Sustainability Governance

At Mashreq, we firmly believe that adopting a comprehensive sustainability approach not only fosters positive change but also enhances business value. Recognizing the importance of policy research, creative innovation, and long-term insight in setting ambitious sustainability targets and fostering continuous growth, we have instituted a structured governance for sustainability.

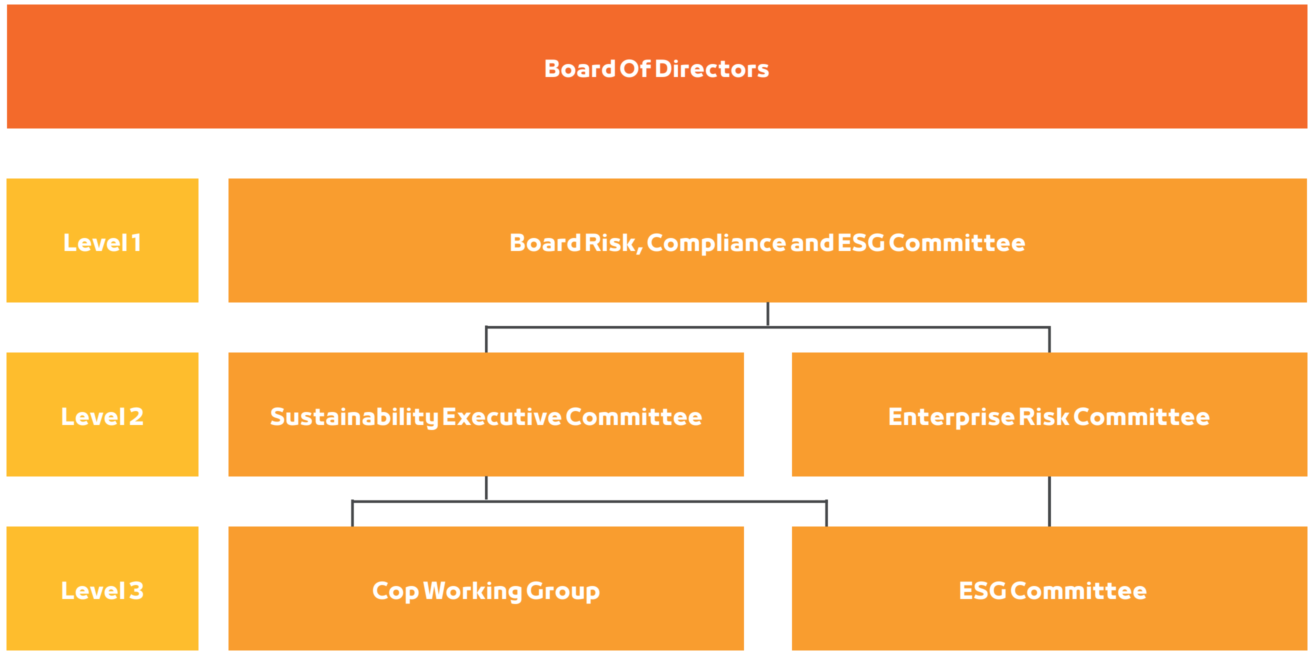
In the present year, the Board Risk Committee has expanded into the Board Risk, Compliance and ESG Committee. This strategic enhancement reflects Mashreq's dedicated commitment to Environmental, Social, and Governance (ESG) principles, underscoring the imperative for robust governance practices aligned with the principles of sustainability.

The Sustainability governance structure at Mashreq is meticulously organized, starting with the Board Risk, Compliance and ESG Committee as Level 1, reflecting the highest echelon of oversight. This committee is tasked with shaping the overall risk strategy and ensuring alignment with Environmental, Social, and Governance (ESG) principles.

At Level 2, the Sustainability Executive Committee and the Enterprise Risk Committee work in tandem to integrate sustainability seamlessly into the organization's strategy and operations.

The Sustainability Executive Committee, specifically focused on sustainability initiatives, oversees various aspects, including product development, ESG integration, and fostering a performance ecosystem.

The Enterprise Risk Committee collaborates closely, aligning risk management with sustainability goals. Finally, at Level 3, the ESG Committee and the COP (Conference of Parties) Working Group operate as specialized bodies. The ESG Committee focuses on monitoring and advancing ESG matters, while the COP Working Group ensures active participation in conferences such as COP 28 and future COP events, solidifying Mashreq's commitment to global sustainability efforts. This tiered governance structure reflects a comprehensive and integrated approach to ESG management.



The Sustainability governance structure at Mashreq is meticulously organized, starting with the Board Risk, Compliance and ESG Committee as Level 1, reflecting the highest echelon of oversight.

Sustainability Executive Committee

The Sustainability Executive Committee at Mashreq plays a pivotal role in embedding sustainability principles into the organization's strategic framework. It oversees Environmental, Social, and Governance (ESG) endeavors across various functional divisions, ensuring coherence with key performance benchmarks. The committee orchestrates the execution of sustainability and sustainability-linked financial projects, extending its supervision to product and procedural innovations with a focus on sustainability and green financing.

An ecosystem of performance is cultivated to incentivize employees towards attaining sustainability-oriented objectives. Committees are closely monitored to discharge their duties effectively within Mashreq's sustainability and ESG initiatives.

Continuous monitoring and evaluation of ESG concerns enrich the organization's comprehension of pertinent issues. Governance structures are established to foster ESG maturity and uphold a steadfast commitment to long-term sustainability objectives.

Training programs are instituted to enhance staff understanding of sustainability and ESG principles. The committee delivers regular progress reports and updates to the Board on sustainability endeavors and advancements. Notably, the Sustainability Executive Committee convened once in the previous year, reflecting its formation in the latter part of the year.

ESG Committee

The ESG Committee, a crucial component of Mashreq's sustainable governance, played a pivotal role in shaping and overseeing the organization's Environmental, Social, and Governance (ESG) initiatives during the reporting year. Tasked with setting the ESG strategy and governance framework, the committee developed comprehensive policies, goals, and a long-term strategy, including a commitment to net-zero. Their involvement extended to fostering innovation and improvement in sustainability practices, reviewing action plans, and analyzing both risks and opportunities related to ESG.

Committed to compliance, the committee stayed abreast of emerging regulations and standards, ensuring alignment with ESG principles. In parallel, ESG Risk Management was a core focus, involving the integration of ESG frameworks into risk management structures, assessing ESG-related risks, and recommending mitigation measures. Stakeholder engagement was emphasized, fostering communication with various stakeholders to understand and address their ESG concerns. Additionally, the committee played a pivotal role in reporting and transparency, monitoring performance, developing ESG disclosures for regulatory compliance, and reporting material ESG issues to the Sustainability and ERC Committee. Notably, during the reporting year, the ESG Committee met twice, showcasing its proactive engagement and dedication to steering Mashreq towards a sustainable and responsible future.

ESG Leadership

Additionally, we are pleased to announce the appointment of Mr. Faisal Alshimmari as the new Head of ESG and Corporate Strategy at Mashreq. Mr. Alshimmari is entrusted with overseeing the ESG function, bringing his valuable experience and leadership to further strengthen our commitment to sustainability and corporate strategy.

Furthermore, as part of our ongoing commitment to sustainability, we are currently in the process of defining Key Result Areas (KRAs) for sustainability-related performance metrics applicable to relevant employees within the organization. This initiative aims to embed sustainability considerations into the day-to-day activities of our workforce, reinforcing our commitment to a holistic and integrated approach to corporate sustainability.

This initiative aims to embed sustainability considerations into the day-to-day activities of our workforce.

7.2 Business Ethics, Policies, and Anti-Corruption

At Mashreq, we take pride in conducting business with a strong commitment to ethical and responsible practices. Our stringent procedures are designed to prevent and detect corruption, underpinned by explicit accounting guidelines and systems to ensure accurate bookkeeping.

To further reinforce these systems across our stakeholders, we have implemented the following internal policies:

a) Code of Conduct: Aligned with our core values and universal virtues of fairness, respect, and responsibility, our Code of Conduct is a foundation in our ethical framework. Mandatorily applicable to all employees, the code is integrated into relevant contracts, with compliance closely monitored. Regular communications from senior management serve to remind employees of the guidelines outlined in the code and other anti-corruption policies.

b) Compliance Policies: Aimed at enhancing our compliance with government policies and addressing corruption and fraud, we have instituted a range of internal policies, accessible to relevant stakeholders as required

- Group Anti-Money Laundering, Combating Terrorism Financing and Non-Proliferation Financing Policy
- Group Anti-Bribery and Anti-Corruption Policy
- Group Sanctions Policy
- Gift and Entertainment Policy
- Personal Investment Policy
- Chinese Walls, Conflict of Interest and Insider Information Policy

c) Insider Trading Policy: We maintain a strict rule prohibiting individuals with inside information from trading in our securities. Insiders are not permitted to share or provide access to any unpublished data related to Mashreq or its underwritings. The sale of information by insiders possessing material non-public information about Mashreq is strictly prohibited.

d) Information Security Policy: Recognizing our responsibility in handling private and sensitive customer data, we have established an Information Security Policy. This policy guides our employees on receiving, storing, sharing, and disposing of data. In FY2023, we are pleased to report zero cases of breaches of customer privacy or loss of customer data, demonstrating our compliance with GDPR rules. Our 'Privacy Principles' delineate the steps we take in managing information responsibly.

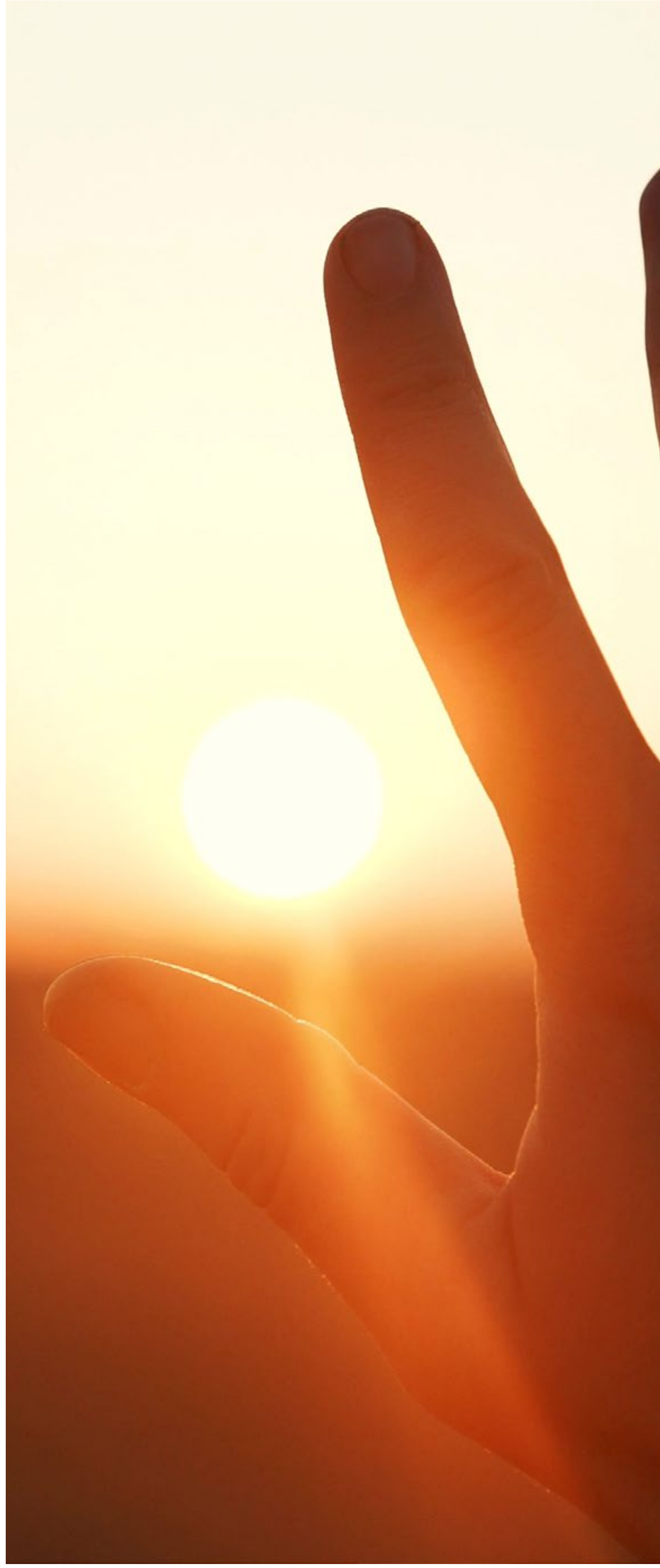
Principle	Description
Transparency	Clear and accessible notices and policies articulate how information is collected, stored, and protected, ensuring a transparent approach to data management.
Security	Robust physical, administrative, and technical measures are implemented to safeguard personal information, mitigating the risk of misuse or unauthorized access.
Focus on Processes	Rigorous processes are designed to ensure the collection and management of data align with defined privacy policies. Procedures are in place to address queries and concerns related to the utilization of such data.
Access	Individuals are provided, as mandated by law, with the capability to amend or delete their personal information. In the event of a data security breach, affected individuals are promptly notified, emphasizing our commitment to transparency and accountability.
Choice	We afford individuals appropriate choices, empowering them to decide how their information is utilized and disclosed, fostering a culture of respect for individual preferences and privacy.
Transfer	Stringent adherence to privacy policies and applicable laws govern the transfer of personal information across countries or to third parties, ensuring compliance and safeguarding the privacy rights of individuals.
Reassessment and Monitoring	Continuous monitoring of privacy laws is conducted, enabling regular updates to our privacy principles and guidelines. This proactive approach ensures ongoing compliance with evolving regulations and reinforces our commitment to maintaining the highest standards of data privacy.

e) Whistle-blowing Policy: Mashreq maintains robust procedures to facilitate whistleblowing, ensuring the protection of the whistleblower's identity. This framework allows employees to make anonymous complaints and voice genuine concerns. Each complaint is treated with impartiality, acknowledging the gravity and credibility of the issues raised. Established protocols are in place to investigate any instances of non-compliance or related grievances. Employees can raise concerns by emailing ethics.whistleblowing@mashreq.com or calling +971-4-4246677.

f) Procurement Policy and Supplier Charter: Mashreq places a premium on the procurement of goods and services that align with sustainability goals while remaining cost-effective. To ensure supplier compliance with relevant laws and regulations, our Supplier Charter is disseminated to all vendors upon registration. The charter is currently under development to encompass ESG issues like health and safety standards, diversity and inclusion, anti-discrimination, and environmental protection and conservation etc. In FY2023, 187 new vendors received our supplier charter. Additionally, we plan to introduce a supplier information questionnaire to gather data on suppliers' environmental policies and holistic approach to environmental issues.

In customer contracts, procurement activities are governed by principles of transparency, fairness, responsiveness, best value, and accountability. Adherence to these principles prohibits Mashreq staff from accepting/ offering any gift, gratuity, entertainment, kickback, or anything of monetary value that may unduly influence procurement outcomes. Violations, intentional or otherwise, are subject to reporting. Our dedicated ethics hotline at +971-4-4246677 and email fraudreport@mashreqbank.com handles reported violations independently. There were no separate communications with vendors regarding Anti-Bribery and Corruption (ABC) policies. We are currently working on the ABC policy introduction to suppliers at time of registration. No cases related to ABC violations by third parties were reported in 2023.

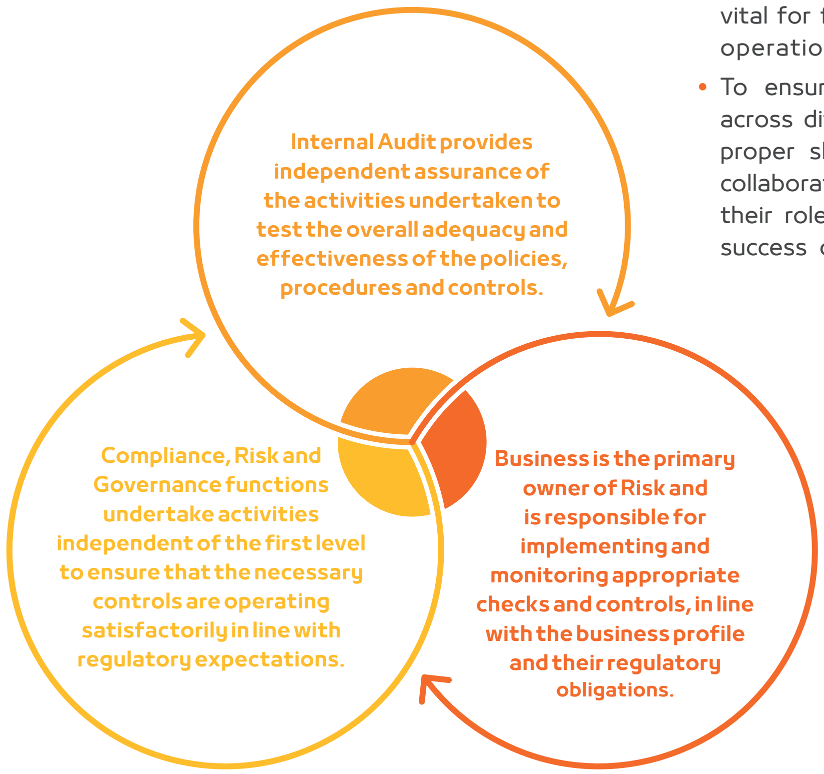
g) Consequence Management Policy: Recognizing that non-compliance, whether accidental or deliberate, can result in financial and reputational losses, Mashreq has developed the Consequence Management Policy. This policy ensures strategic, transparent, and swift responses to instances of non-compliance that could lead to regulatory or legal repercussions. The Fraud Prevention and Investigation team conducts formal investigations and reports incidents to the Consequence Management Committee. The committee reviews the reports, engages with relevant stakeholders, and determines Mashreq's response, taking into consideration the severity and scope of potential credit or reputational losses.



7.3 Remuneration Practices

Our remuneration policy is anchored in the principles of competitiveness, equitability, and merit-based compensation. Crafted to bolster our strategic business objectives, the policy plays a pivotal role in fostering effective risk management, elevating employee motivation, and cultivating enhanced performance. We adhere to a 'Pay for Performance' model, supported by robust incentive-based performance management systems. Furthermore, we conduct an annual review of our compensation packages across all countries of operation, ensuring alignment with current market pay practices.

Our thoughtfully structured Variable Pay Program encompasses tailored incentives, ranging from product-specific schemes for our sales force to long-term incentive plans for our senior management. Additionally, a bonus-based system is in place for our non-incentivized employees. Our reward framework is designed to mitigate excessive risk through claw-back mechanisms, rewarding employees who embody Mashreq values and champion ethical behavior. This approach ensures a harmonized alignment of interests among our customers, employees, and shareholders, reinforcing our commitment to responsible and balanced remuneration practices.



7.4 Risk Management and Compliance

The hallmark of an effective risk management system lies in its seamless adaptability to change. At Mashreq, we continuously reassess and enhance our risk strategy, leveraging new technologies that empower us to navigate diverse challenges and evolve our business. This proactive approach not only brings value to stakeholders but also fosters consistency and optimizes risk-reward dynamics. Recognizing the importance of resilience against both financial and non-financial risks, risk management stands as a pivotal element in our organizational framework.

In our perspective, corporate governance transcends mere regulatory compliance; it serves as a pillar supporting effective risk management. At Mashreq, we embrace the 'Three Lines of Defense' model, wherein each line assumes a critical role supported by pertinent policies and the delegation of responsibilities.

This model aims to facilitate seamless knowledge and information sharing across different functions and levels, thereby enhancing our capacity to achieve strategic goals successfully.

- Each level within the organizational hierarchy plays a pivotal role, and it is imperative that each role is underpinned by well-defined policies and clear role definitions.
- The synergy between the various levels of control is vital for fostering efficiency and effectiveness in our operations.
- To ensure seamless functioning, control functions across different levels should actively engage in the proper sharing of knowledge and information. This collaborative approach supports all functions in fulfilling their roles efficiently and contributes to the overall success of the organization

7.4.1 Main Attributes of Our Risk Management Framework

The key attributes of our Risk Management Framework encompass:

- Clearly communicating the Risk Appetite Statement, which encapsulates all activities at Mashreq and guides our overarching Risk Management Strategy.
- Prioritizing the integration of technology into processes to enhance accuracy and efficiency across our operations.
- Promoting portfolio management by adhering to established guidelines and limits.
- Optimizing the application of credit analytic capabilities to inform strategic business decision-making.
- Continuously enhancing our approach to cyber risk and fraud management to stay ahead of evolving threats.
- Implementing a rigorous and detailed approval process for each new product, coupled with fortifying the collection and recovery function within our retail banking sector.

In tandem, Group Compliance upholds stringent controls to mitigate compliance risks, maintaining a 'Zero tolerance' stance towards knowingly facilitating financial crime risks or violating applicable laws. The Compliance framework is built on a risk-based approach, encompassing policies, risk assessment, controls, training, independent assurance, and audit.

7.5 Auditing

Mashreq's operations undergo thorough audits led by the Board Audit Committee. This committee holds the responsibility of conducting regular assessments and reviews, specifically focusing on identifying acts of negligence and/or misuse of authority. In instances where such acts are detected, the severity and impact determine the escalation level to the Board. To fortify good governance practices and offer transparency regarding responsibilities and authority, we adhere to the following reporting lines.

Role	Reporting to
Chief Risk Officer	The Board Risk, Compliance and ESG Committee
Head of Compliance	The Board Risk, Compliance and ESG Committee
Head of Internal Audit	The Board Audit Committee
Head of Shariah Audit	The Board Audit Committee
Board Secretary	The Board

'Zero Tolerance'

Towards knowingly facilitating financial crime risks or violating applicable laws.

Mashreq's operations undergo thorough audits led by the Board Audit Committee. This committee holds the responsibility of conducting regular assessments and reviews, specifically focusing on identifying acts of negligence and/or misuse of authority.

The bank is not only committed to meeting the immediate financial needs of its clients but also strives to drive broader awareness and adoption of sustainable finance practices among manufacturers, retailers, and businesses.

8. Sustainable Finance

Mashreq stands at the forefront of pioneering sustainable finance solutions, catering to a spectrum of needs as clients embark on their sustainability journey. The suite of offerings encompasses an array of financial instruments, including green loans, green bonds, and sustainability-linked debt capital market issuances. This expansive range reflects Mashreq's commitment to providing versatile and impactful tools that align with evolving sustainability requirements.

> **The bank distinguishes itself by demonstrating specialized knowledge in delivering not only traditional sustainable financing options but also innovative solutions such as green supply chain financing and green Islamic finance. This strategic diversification positions Mashreq as a comprehensive partner in addressing varied aspects of sustainability within the financial landscape.**

Mashreq's dedication extends beyond the provision of financial products. The bank actively engages with clients, offering tailored financial advice to facilitate their energy transition journey. This advisory support is instrumental in assisting clients in achieving their Environmental, Social, and Governance (ESG) goals, further reinforcing Mashreq's role as a strategic collaborator in sustainable finance.

As a recognized leader in the regional financial industry, Mashreq recognizes the transformative power of sustainability-linked financing across industries. The bank is not only committed to meeting the immediate financial needs of its clients but also strives to drive broader awareness and adoption of sustainable finance practices among manufacturers, retailers, and businesses.

Embedded within Mashreq's ethos is the Climb2Change global initiative, a holistic framework that seamlessly integrates the bank's extensive ESG milestones and contributions to shaping a sustainable future. This initiative underscores Mashreq's proactive stance in driving positive change and aligning its operations with global sustainability objectives.

Notably, as a tangible manifestation of its commitment, Mashreq has pledged to facilitating a substantial USD 30 billion in sustainable finance by the year 2030, signaling a robust and enduring commitment to fostering a sustainable financial ecosystem.

9. Our People: Nurturing a People-First Culture

At Mashreq, we recognize that our most valuable asset is our workforce. Our employees embody our purpose and stand as a crucial driving force behind our success and growth. With a legacy spanning over 50 years, our commitment to a people-first culture has been ingrained in our organizational ethos. Our current objective is to surpass societal norms by strategically investing in the continuous enhancement of our employees and community initiatives, aiming to amplify our positive impact on both our workforce and the communities we serve.

9.1 Talent Attraction and Retention

Our exceptional human resources have been the guiding force behind our organization's extensive history of growth, continuous achievements, and future aspirations. Committed to realizing comprehensive employee value propositions, we prioritize the cultivation of a supportive and diverse team.

Our efforts in this regard have earned us recognition from Glint, a LinkedIn company, as one of the best workplaces globally in 2022. This acknowledgment is a testament to our strategic initiatives, which encompass the creation of inclusive employment opportunities, competitive pay and benefit packages, and exemplary training and development programs.

Our overarching strategy, designed to foster exceptional performance and long-term success, plays a pivotal role in attracting, hiring, developing, inspiring, and retaining top talent. Through a combination of skills, attitudes, and a conducive work environment, we ensure that our workforce remains well-equipped to contribute to our ongoing success and future endeavors.

In the fiscal year 2023, we welcomed a total of 470 new employees into our organization. The table below provides a detailed breakdown of these new hires categorized by gender and age group.

UAE Workforce Overview 2023

UAE Workforce Total

2,428
Permanent

34
Temporary

UAE Workforce by Gender

Male	Female
1,594 Permanent	834 Permanent
4 Temporary	30 Temporary

UAE Workforce Overview

	Number	% of Total
Total Workforce	2,462	100%
Full-time Employees	2,426	99.9%
Part-time Employees	2	0.1%
Employees on an indefinite or permanent contract	2,428	98.6%
Contractors and /or consultants	34	1.4%

UAE Workforce by Region

2,309	Dubai
62	Abu Dhabi
28	Sharjah
19	Ras Al Khaimah
10	Ajman

Total New Hires	2023
New Employees by Gender	
Male	316
Female	154
New Employees by Age	
Under 30	72
30 to 50	380
Over 50	18

In the same year, 419 employees left the bank. The percentage workforce turnover was 17%. The table below depicts the breakdown of employee turnover based on gender and age group

Employee Turnover	2023
Turnover by Gender	
Male	275
Female	144
Turnover by Age	
Under 30	55
30 to 50	348
Over 50	16
Total Employee Turnover %	17%

9.2 Diversity and Inclusion

As staunch proponents of equal opportunity, we are unwavering in our commitment to nurturing a workplace culture that upholds respect, equality, and dignity for all. Our employees represent a rich tapestry of ethnicities, genders, languages, age groups, life experiences, and diverse thinking styles, encompassing both physical and mental capacities.

Our dedication to workplace diversity serves as a catalyst for increased engagement, heightened creativity, a broader talent pool, and enhanced productivity. This diversity directly impacts our ability to deliver outstanding customer experiences.

At present, our workforce hails from 60 different nationalities, reflecting the wealth of cultural diversity we take immense pride in. Additionally, we wholeheartedly embrace the goal of expanding job opportunities for Emirati citizens, with Emirati nationals constituting 20% of our total workforce in FY2023. This commitment reinforces our pledge to foster an inclusive and representative work environment.

60
Number of Nationalities

As part of our commitment to fostering diversity, we have instituted policies such as flexible working hours, work-from-home options, and a dedicated 'New Mother's Room' to support and promote greater gender diversity within our workforce. Our concerted efforts to encourage female inclusion, empowerment, and equitable opportunities for advancement have yielded positive results, evidenced by a consistent increase in female participation across our organization.

In the year 2023, we are proud to report that women now constitute 34% of our total workforce, reflecting our commitment to creating an inclusive and diverse workforce landscape.

Hierarchy	Male		Female	
	Number	of Total	Number	of Total
Entry Level	674	42.1%	535	64.1%
Middle Management	727	45.4%	269	32.3%
Senior Management	193	12.1%	30	3.6%
Board of Directors	7	0.4%	0	0%
Total Enterprise	**1,601**	**100%**	**834**	**100%**

As a crucial element of our commitment to diversity, we not only emphasize equal representation but also prioritize equal access to financial security and benefits. Ensuring gender equality, our compensation structures remain unbiased and do not differentiate based on gender. In the fiscal year 2023, we conducted a comprehensive evaluation, revealing a male-to-female compensation ratio of 1.37:1.

In addition to gender diversity, our commitment extends to the inclusion of People of Determination (PoD).

Our offices are now PoD-friendly, and we've introduced flexible working arrangements to accommodate diverse needs.

We maintain transparency in our diversity initiatives by regularly evaluating and disclosing our performance against defined goals. These goals, along with corresponding action plans, specifically target equality in managerial roles. Through these disclosures, we hold ourselves accountable for the progress we strive to achieve, positioning us as a transparent, inclusive, and equitable company.

9.3 Learning and Development

The Learning and Development department (LDD) is committed to provide opportunities to all employees to be successful in their role, and for long term career development. We aim to enhance employee experience and build an inclusive and values – driven workplace through engaging and value add learning interventions.

> **Furthermore, we foster a culture of continuous learning by encouraging employees to engage in self-directed learning opportunities, workshops, and industry-specific certifications. This not only enriches their knowledge base but also aligns their skill set with evolving industry trends.**

Our commitment to learning and development extends beyond traditional approaches. We leverage digital platforms and e-learning modules to provide flexible and accessible training options, accommodating the diverse learning preferences and schedules of our workforce.

Through regular feedback mechanisms, we assess the effectiveness of our L&D programs, allowing us to continuously refine and tailor offerings to meet the evolving needs of our employees. This commitment to a dynamic and responsive learning culture positions our workforce for sustained success and adaptability in the ever-changing business landscape.

9.3.1 Learning and Development – Policy

At Mashreq, we prioritize the achievement of business outcomes through a strategic focus on upskilling the workforce in both technical and soft skills. The Learning and Development function of the bank is dedicated to enhancing the skills and knowledge of our employees, ensuring their success in current roles and preparing them for future responsibilities within the organization.

As part of our commitment, we allocate substantial investments in Human Capital Management (HCM) technology and diverse Learning resources. These resources are integral to fostering an effective learning environment that empowers our employees. We go beyond traditional approaches by offering a comprehensive suite of learning methods and programs, granting our workforce the flexibility to tailor their development paths according to their unique needs and aspirations.

This learning and development policy is based on the following general principles:

- All employees shall receive the required learning and development support without any prejudice or bias to their grade, job title, age, nationality, gender, ability, or faith.
- All employees need to complete training for continuous professional development, over and above any mandatory training programs.
- Completing all confirmed and assigned learning and development activities is a sole responsibility of each employee and their line manager.

9.3.2 Training Programs for Different Talent Segments

Recognizing the diverse learning needs of various talent segments within Mashreq, our training programs are thoughtfully tailored to align with the specific requirements of each group, aiming to achieve distinct learning outcomes that contribute to the broader business objectives. Below are some types of training offerings for different talent groups:

New Hires

- E-Orientation Curriculum: All new hires undergo a comprehensive E-Orientation online curriculum within 60 days from their hire date. This program, facilitated through our Enterprise Learning Management System (LMS), covers essential legal and policy-related rules and regulations. Additionally, it acquaints employees with the organization's history, culture, strategy, and structure.
- Role-Based Induction: Frontline roles in our Retail Banking Group benefit from role-specific inductions, ensuring a clear understanding of job responsibilities and expectations.

People Managers

- Culture Blueprint Workshops: We believe that culture is integral to organizational cohesion. To provide a world-class experience to our customers and communities, we have introduced a Mashreq Culture Blueprint. We have initiated workshops to upskill People Managers on this blueprint, equipping them with tools and skills to instill desired mindsets, behaviors, and skills within their teams.

UAE Nationals

- **Tertiary Education Support:** We provide support for UAE Nationals pursuing higher education for career progression, offering reimbursement of tuition fees upon proof of payment and progress.
- **Lead Programme:** We offer a specialized programme for our identified high potentials to unlock their potential through a series of high impact and interactive learning programmes along with implementing business projects sponsored by our Executive Committee.
- **Mentorship Programme:** We offer global internal mentoring opportunities in order to build internal capabilities of our aspiring colleagues to learn and grow from senior leaders both functionally and cross functionally.

- **ACE Programme:** Advanced Certificate of Excellence (ACE) is an intensive 6 month graduate training program which aims to identify, develop, and fast track local talent on an accelerated career trajectory. In its fourth edition, ACE continues to be a global programme available across Mashreq in UAE, Egypt, Qatar, Bahrain, Kuwait, Oman and India.

All Employees

- **Enterprise LMS Courses:** Accessible to all employees, these online courses cover a range of topics, with some mandatory for compliance and others optional for technical skills enhancement.
- **Strategic Priority Courses:** Continued investment in courses aligned with the bank's strategic priorities, including ESG, climate risk and Digital Transformation, to enhance awareness and capability.
- **External Training Programs:** Employees are encouraged to enroll in external training programs and certifications relevant to their roles, subject to line manager approval.

Training Hours Investment:

In FY2023, our commitment to employee development resulted in a significant focus in training hours across levels, totaling 77,775 hours. This investment is further categorized based on gender, as detailed below.

Training Hours in 2023			
Employee Category	**Male**	**Female**	**Total Training Hours**
Senior Management	395	117	512
Middle Management	43,172.5	22,215.5	65,388
Branch Managers	178.5	178.5	357
Junior Management	3,451	1,809	5,260
Bank Employees	3,548	2,712	6,260
Total Training Hours	**50,744**	**27,031**	**77,775**

AED 10.5Mn

The amount invested in training in 2023.

9.3.3 Learning Metrics

At Mashreq, our commitment to continuous improvement in Learning and Development is reflected in our robust tracking and reporting of key metrics. These metrics provide valuable insights into the effectiveness and impact of our training initiatives. The following metrics are meticulously monitored:

Total Training Man-days:
A comprehensive measure of the total number of training days completed by all employees.

Average Training Man-days:
The average number of training days completed per employee, providing a nuanced view of individual engagement.

Training Spend (% of Operational Expense)
The proportion of training expenditures relative to Operational Expense (OPEX), gauging our investment in employee development against overall operational costs.

Training Spend (% of Wage Bill)
The percentage of training costs in relation to the Wage Bill, offering insights into the allocation of resources dedicated to employee training.

Average Training Effectiveness Score
An assessment of the effectiveness of our training programs, determined through feedback and performance metrics.

9.4 Human Rights

At Mashreq, our unwavering commitment to the protection and respect of human rights extends across all the countries and regions where we operate, guided by our core values of integrity. Beyond mere compliance with rules and regulations, we actively champion practices that fortify human rights within our organizational sphere and throughout our value chain. This commitment permeates our standards for employee conduct, client and customer interactions, business relationships, and our engagement with the communities we serve. As a prominent financial institution, we acknowledge our pivotal role in recognizing and addressing human rights violations. To emphasize our dedication to this responsibility, we have formulated a comprehensive Human Rights Policy.

This policy serves as a blueprint for promoting business practices rooted in the principles of justice, equality, and respect for all. Our commitment to the protection and promotion of human rights is seamlessly integrated into our group-wide policies, including our Code of Conduct and Supplier Charter. These foundational documents articulate clear expectations for our diverse stakeholders, emphasizing the highest standards in human rights protection and promotion.

Furthermore, our proactive stance involves continuous advocacy for human rights beyond the confines of regulatory requirements. While we do not currently track collective bargaining agreements due to the absence of UAE government-mandated laws, our overarching commitment to human rights principles guides our actions, ensuring that we contribute to a world where justice, equality, and respect prevail in all aspects of our operations and interactions.

9.5 Non-Discrimination

Mashreq is steadfast in its commitment to being an equal opportunity employer, cultivating a workplace environment grounded in the principles of equality, fairness, and safety. We are dedicated to ensuring that our employees have unfettered access to opportunities, devoid of discrimination and harassment. Meritocracy underpins all facets of our work, encompassing recruitment, job allocation, transfer, access to benefits, salary determination, and career advancement.

Discriminatory behavior has no place within our workforce or supplier chain, aligning with the tenets of our comprehensive non-discrimination policy. We vehemently reject any form of discrimination, fostering an inclusive culture that promotes diversity and values each individual's unique contributions.

To reinforce our commitment, we have established robust mechanisms encouraging employees and other stakeholders to report instances of discrimination or harassment, irrespective of whether they are victims or witnesses. Allegations are handled discreetly through a meticulous inquiry process, with remedial actions implemented as necessary. Our grievance redressal system, complemented by our Whistle-blowing Policy, is accessible to all internal and external parties, further ensuring a transparent and accountable approach to addressing and preventing discrimination within our organizational sphere.

9.6 Occupational Health and Safety

Recognizing the pivotal role our employees play in the success of our business, Mashreq places paramount importance on their health, safety, and well-being. Our commitment extends to the physical, mental, and emotional welfare of our workforce, ensuring a work environment that not only complies with national safety regulations but surpasses them as a minimum threshold.

To fortify our dedication, we continually introduce new initiatives, tools, and programs designed to support the holistic well-being of our employees, enabling them to perform at their best. Looking ahead, we are in the planning stages of developing and implementing a comprehensive Group Occupational Health and Safety system. This strategic initiative aims to instill a systematic approach to managing, mitigating, and monitoring health and safety risks across our diverse workplaces.

In 2023, our proactive measures yielded notable success, as we proudly reported zero cases of work-related illnesses, injuries, and fatalities among our full-time, part-time, and contractor employees. This accomplishment underscores our unwavering commitment to fostering a safe and healthy work environment, ensuring that our employees can thrive and contribute to the success of our organization without compromising their well-being.

10 Positive Community Impact

Since its inception, Mashreq has been dedicated to activities that contribute positively to the community. Whether in the UAE, Bahrain, Kuwait, or Egypt, our regional offices take pride in the impactful role they play through socially responsible initiatives. Our CSR philosophy embodies the integration of stakeholders' and customers' society, community, and environment into the fabric of our business operations.

As a socially responsible organization, we firmly believe that supporting socioeconomic development through CSR not only benefits our shared society but also fortifies the long-term success and stability of the bank. Our commitment to giving back is deeply ingrained in our core purpose, corporate values, and company culture, as outlined in our CSR policy. Officially initiated in June 2011, our CSR Program is overseen by the CSR and Internal Communications Unit, with support from the Emiratization HR Unit and the UAE National Learning and Development Unit.

We actively participate in nationwide annual events such as 'International Give and Gain Day' and 'UAE Humanitarian Day,' among others.

Over the years, we have championed diverse philanthropic initiatives addressing the needs of young people, the impoverished, health and well-being, art and culture, gender equality through female empowerment, and the inclusion of People of Determination. Our impact on society has been broadened through a combination of volunteerism and strategic partnerships with other organizations.

In fiscal year 2023, our commitment to the community was underscored by an investment of AED 814,740 representing 0.01% of our annual revenue. This financial commitment exemplifies our dedication to creating a positive community impact that aligns seamlessly with our values and organizational ethos.

AED
814,740

Our commitment to the community was underscored by an investment of AED 814,740 representing 0.01% of our annual revenue.

11 Our Environmental Stewardship

As a leading financial institution, we recognize our pivotal role and responsibility in fostering economic progress while safeguarding the environment and its invaluable resources. In alignment with this commitment, we have actively embraced environmentally responsible practices and regulations throughout our value chain. With an unwavering dedication to sustainability, we aspire to lead the charge in the transition towards achieving net-zero emissions.

11.1 Energy Management

In the face of rising energy demands in the UAE, we acknowledge the imperative to address this challenge without exacerbating human-induced climate change through the combustion of fossil fuels. At Mashreq, we prioritize the efficient management of energy resources and regularly monitor and assess our internal energy consumption.

In our commitment to decarbonizing vehicle transport, we have integrated Tesla electric vehicles into our fleet.

Furthermore, our headquarters proudly holds LEED green building certification, underscoring our dedication to sustainable building practices. Through these initiatives, Mashreq stands at the forefront of energy management and environmental responsibility, driving positive change for a sustainable future.

Moreover, we actively create awareness among all stakeholders about energy consumption, promoting green buildings across our operations. Our efforts extend beyond internal practices, aiming to inspire a collective commitment to environmental stewardship among our partners, clients, and communities.

11.1.1 Energy Consumption

Our energy consumption for the reporting period is outlined as follows:

Component	Unit	2023
Electricity consumption	kWh	9,991,505.09
LPG consumption	m3	3,319.25
Diesel consumption	Litres	2,030.99
Petrol consumption	Litres	21,472.92

11.1.2 Energy Consumption in GJ

Our energy consumption in GJ for the reporting period is outlined as follows:

Component	2023
Electricity consumption	35,969.42
LPG consumption	123.81
Diesel consumption	77.18
Petrol consumption	734.37
Total Energy consumption	36,904.78

11.1.3 Energy Mix

At present, our energy mix comprises electricity from conventional sources, LPG, and Diesel, with no inclusion of renewable energy. However, it's worth noting that we are actively evaluating the integration of renewable energy sources into our energy portfolio. As part of our commitment to sustainable practices, we are planning to utilize Renewable Energy Certificates (RECs) as a step towards promoting environmental responsibility and reducing our carbon footprint.

Energy Mix of 2023	% (Basis of GJ)
Electricity	97.5%
Petrol	2.0%
Liquified Petroleum Gas (LPG)	0.3%
High-Speed Diesel (HSD)	0.2%
Total	100%

The energy intensity ratio represents the internal energy consumption, as illustrated below.

Component	Unit	2023
Total energy consumption	GJ	36,904.78
Total workforce	Per employee	2,462
Energy intensity	GJ/employee	14.99

Mashreq is currently establishing a comprehensive tracking mechanism for energy consumption to enhance data management efficiency. Our future plans include bolstering the sustainability of our infrastructure and fostering the development of climate-informed and resilient products. Additionally, we are committed to increased collaboration with industry leaders and various business units within the organization to actively contribute to financing renewable energy technologies.

11.2 Greenhouse Gas Emissions

In addressing the pressing concerns surrounding climate change, particularly greenhouse gas emissions, large organizations like Mashreq play a pivotal role in contributing to global sustainability. We are committed to establishing ourselves as environmental sustainability leaders and actively participating in the shift towards a green economy. Recognizing the evolving expectations of our stakeholders, we view this as an opportunity to showcase our leadership by developing business solutions that reduce the adverse environmental impact of our operations. To achieve this, we integrate climate-related risks and opportunities into our strategies, fostering climate resilience and risk mitigation.

> **In our efforts to measure greenhouse gas emissions, we have identified paper, water, and energy consumption as our primary operational emission sources. These elements serve as the foundation for our GHG management strategy.**

To underscore our commitment to reducing our GHG footprint, our new headquarters is constructed in accordance with green building specifications and standards. The infrastructure incorporates various energy and sustainability measures, enabling us to minimize our consumption of natural resources. Notably, 80% of our buildings comply with the UAE Building Management System for energy efficiency. This approach not only highlights our efforts to reduce our internal footprint but also supports the broader goal of pollution-free and sustainable development in the UAE.

Our Mashreq Global Headquarters has earned LEED Gold certification from the US Green Building Council, marking a significant achievement in our commitment to ESG standards. It stands as the sole financial sector headquarters in the region to secure such recognition, reaffirming our dedication to sustainability and environmental protection.

Moving forward, we are intensifying our efforts to reduce, offset, and report our scope 1, 2, and 3 (partial) emissions from our facilities.

- **Scope 1:** Encompasses LPG and Diesel.
- **Scope 2:** Includes Electricity consumption and chilled water for cooling (District cooling).
- **Scope 3:** Includes Water, Waste (Paper and carton, Plastic waste and General waste).

While partial data is available for Scope 3 reporting, we are actively working to collect relevant data for most applicable scope 3 emissions in the coming years.

GHG Emissions by Scope

Scope	Emission Source	Reduction Measures
1	LPG, Diesel and Petrol	Ongoing initiatives to reduce fuel usage and shifting to EV Vehicles
2	Electricity and Chilled Water	Implementation of energy-efficient systems and using REC
3	Water and Waste	Water Sensors, Waste segregation and working with certified vendors for effective waste management.

GHG Emissions	Unit	2023
Scope 1	tCO2e	73.73
Scope 2 (location based)	tCO2e	10,103.47
Scope 2 (marked based)*	tCO2e	9,247.26
Scope 3	tCO2e	267.65
Total GHG Emissions (market based)	tCO2e	9,588.64

**Market based calculation is based on the decision to purchase the required Renewable Energy Certificates (REC) as part of our LEED Net Zero Energy building certification for our HQ.*

GHG emissions intensity (scope 1+2)

	Unit	2023
Total Emissions (Scope 1+2)	tCO2e	9,320.99
Total Workforce	Per employee	2,462
Emissions Intensity	tCO2e/m2	3.79

11.3 Water Management

Water, a fundamental element for economic development, is currently facing global challenges due to widespread scarcity, triggering social, economic, and political concerns. The scarcity of freshwater in the UAE underscores the critical need to invest in water security management, given the nation's dependence on costly and energy-intensive desalination plants. While Mashreq's water consumption is minimal, we acknowledge our responsibility to practice vigilant water management.

Within the bank, we actively address this responsibility by regularly measuring and monitoring our water consumption across various activities. Our water management strategy stems from identifying key sources of consumption, including employee usage, cleaning purposes, and landscaping. In response, we have implemented several measures, such as fitting flow reducers to water outlets, collecting and reusing water emptied from storage tanks for irrigation, replacing traditional landscaping with artificial turfs, and upgrading drinking water dispensing machines to 'tap and purify water at source' systems.

It's important to note that all our water consumption is sourced from desalinated seawater. Additionally, we are exploring options to establish a water reuse system, further contributing to responsible water management.

6,260,474.46
Imperial Gallons
Total water consumption

11.4 Waste Management

In the face of escalating global waste generation, organizations play a pivotal role in mitigating this crisis through responsible waste management, acknowledging the need for prudent resource and material management to minimize adverse impacts. At Mashreq, we have integrated waste reduction into our environmental strategy, employing a multi-faceted approach that emphasizes source reduction, reuse, composting, and recycling.

Paper constitutes a significant portion of our overall waste generation, primarily driven by the necessity to maintain essential financial documents in hard copy. In response, we have implemented various initiatives, including the introduction of paperless invoices, internal document processing, and the placement of paper recycling consoles across our offices in collaboration with Shred-it, an on-site paper destruction and recycling service. These initiatives have resulted in substantial year-on-year reductions in total paper consumption and increased recycling throughout the organization. Recognizing the influence of customer behavior on our environmental performance, we actively encourage our customers to opt for online services, further supported by the introduction of E-statements.

Our meticulous monitoring extends to various waste streams, encompassing food, bottles, cans, and general waste. Collaborating with leading facilities and waste management experts in the UAE, such as Farnek, Union Papermills, and Beeah Group, we ensure effective waste generation and disposal management.

Looking ahead, our digitization drive aims to deliver more efficient waste management solutions. Since 2022, we have been aligning with the corporate directive to achieve paperless operations by automating client services, from account opening to account management. These measures not only target our direct environmental impact by reducing paper consumption but also contribute to a decreased carbon footprint associated with paper use. Simultaneously, this approach enhances customer experiences, ensures cost efficiency, and improves security.

11.5 Environmental Oversight

At Mashreq, the commitment to environmental sustainability is deeply ingrained in our governance structure, with the Board of Directors and senior management actively fostering opportunities that showcase leadership in this realm. Sustainability considerations are seamlessly integrated into the bank's strategies, planning, and operations by our senior management, promoting best practices and continuous value creation. With proper ESG governance structure in place we further fortified effective oversight, providing guidance on all sustainability matters, including climate-related commitments, goals, initiatives, progress tracking, identification of risks and opportunities, and overall impact assessment.

Moving forward, our commitment to sustainability governance will be strengthened through the revision of our Corporate Environmental Policy. This updated policy will delineate the principles of responsible environmental management across all aspects of the bank's operations. It will encompass communication of standards to both employees and external stakeholders, formulation of recycling policies, establishment of frameworks for assessing environmental impact, and clear commitments to continual improvement.

Mashreq is proudly committed to the Science-Based Targets initiative (SBTi), and we are actively baselining our emissions to strategize mitigation plans towards achieving net-zero emissions. In alignment with our environmental commitment, we have undertaken green building initiatives, exemplified by the LEED Gold certification of our Global Headquarters. Additionally, the introduction of the Environmental, Social, and Governance Committees starting from the board up to the cross functional level underscores our dedication to embedding sustainability practices in our organizational DNA.

Our forward-looking approach includes the exploration of innovative technologies, partnerships with industry leaders, and the ongoing development of a comprehensive ESG framework. These initiatives aim not only to enhance our own environmental performance but also to contribute positively to the broader sustainability landscape. As a bank, we recognize the role we play in driving positive change, and we remain steadfast in our commitment to sustainable and responsible business practices.

12. Charting Our Course: A Roadmap to Sustainable Excellence

As we embark on the next chapter of our sustainability journey at Mashreq, we are cognizant of the pivotal role we play in shaping a sustainable future. Our commitment is not merely a statement but a strategic imperative, with sustainable finance at the core of our business operations. Going beyond conventional green finance, we embrace a holistic approach that integrates environmental, social, and governance (ESG) factors into our financial products and services.

To actualize this commitment, we are innovating with products such as the Nature Saver Account, encouraging customers to make environmentally conscious decisions. Collaborations with partners like Ecolytics and Visa demonstrate our commitment to leveraging external expertise and technology to further our sustainability goals. We have set an ambitious target, pledging to mobilize USD 30 billion by 2030 towards sustainable finance.

Our leadership, including the Board of Directors and senior management, is deeply committed to sustainability. Recognizing the need to embed sustainability into our organizational culture,

We have rolled out comprehensive training programs that empower our employees with the knowledge and skills necessary to integrate sustainability into their daily work, fostering a culture of meaningful change within our organization.

In addition to internal efforts, we actively engage with global sustainability initiatives such as the United Nations Global Compact (UNGC) and the Science Based Targets initiative (SBTi).

Our alignment with SBTi enables us to set ambitious emissions reduction targets in line with the latest climate science, contributing to global climate goals.

Learning from peers, aligning with the UN Sustainable Development Goals (SDGs), and the Paris Climate Agreement guides our strategic approach.

Our commitment extends beyond finance as we strive to combat climate change and achieve net-zero emissions in our own operations by 2050, aligning with the UAE's sustainability vision and the goals of the Paris Agreement. Simultaneously, we collaborate with clients to guide them on their transition journey, emphasizing increased investments in renewable energy and low-carbon technologies.

Recognizing that the journey to sustainability is a collective effort, we actively forge alliances with stakeholders. Partnering with governments, non-governmental organizations, and fellow financial institutions, we believe that collaboration is essential to promoting sustainable practices across the industry. Together, we can accelerate the transition to a sustainable economy, creating a better world for future generations. We invite you to join us on this transformative journey toward a sustainable future.

Net-Zero by 2050

Our commitment extends beyond finance as we strive to combat climate change and achieve net-zero emissions in our own operations by 2050

Appendix: DFM Content Index

Environmental Metrics

Environmental Metrics	Corresponding GRI Standards	Corresponding SDG's	Reference
E1. GHG Emissions	GRI 305: Emissions 2016	SDG 13	Refer Heading 11.2
E2. Emissions Intensity	GRI 305: Emissions 2016	SDG 13	Refer Heading 11.2 Non-GHG emissions are not applicable to us.
E3. Energy Usage	GRI 302: Energy 2016	SDG 12	Refer Heading 11.1.1 and 11.1.2
E4. Energy Intensity	GRI 302: Energy 2016	SDG 12	Refer Heading 11.1.3
E5. Energy Mix	GRI 302: Energy 2016	SDG 7	Refer Heading 11.1.3
E6. Water Usage	GRI 303: Water and Effluents 2018	SDG 6	Refer Heading 11.3
E7. Environmental Operations	GRI 103: Management Approach 2016*	SDG 13	Refer Heading 11.5
E8. Environmental Oversight	GRI 102: General Disclosures 2016		Yes. Our management team oversee and manage climate related risks.
E9. Environmental Oversight			Yes. Our management Team oversees and manage other sustainability issues.
E10. Climate Risk Mitigation			Plans under approval.

Social Metrics

Social Metrics	Corresponding GRI Standards	Corresponding SDG's	Reference
S1. GCEO Pay Ratio	GRI 102: General Disclosures 2016	SDG 10	Refer Heading 7.1.1
S2. Gender Pay Ratio	GRI 405: Diversity and Equal Opportunity 2016	SDG 5	Refer Heading 9.2
S.3 Employee Turnover	GRI 401: Employment 2016	SDG 12	Refer Heading 9.1
S.4 Gender Diversity	GRI 102: General Disclosures 2016 GRI 405: Diversity and Equal Opportunity 2016 GRI 405: Diversity and Equal Opportunity 2016	SDG 5	Refer Heading 9.2
S.5 Temporary Worker Ratio	GRI 102: General Disclosures 2016		Refer Heading 9.1
S6. Non-Discrimination	GRI 103: Management Approach 2016*	SDG 10	Refer Heading 9.5 Policy in progress.
S7. Injury Rate	GRI 403: Occupational Health and Safety 2018	SDG 3	Refer Heading 9.6
S8. Global Health and Safety	GRI 103: Management Approach 2016*	SDG 3	Yes. We follow an occupational health and global health and safety policy
S9. Child and Forced Labor	GRI 103: Management Approach 2016*	SDG 8	Policy in progress. We do not employ any child and forced labor
S10. Human Rights	GRI 103: Management Approach 2016*	SDG 10	Refer Heading 9.4 Supplier engagement in progress
S11. Nationalization		SDG 8	Refer Heading 9.2 No data available for Direct and indirect local job creation
S12. Community Investment		SDG 8	Refer Heading 10

Governance Metrics

Governance Metrics	Corresponding GRI Standards	Corresponding SDG's	Reference
G1. Board Diversity	GRI 405: Diversity and Equal Opportunity 2016	SDG 10	Refer Heading 9.2
G2. Board Independence	GRI 102: General Disclosures 2016		Refer Heading 7.1.1
G3. Incentivized Pay	GRI 102: General Disclosures 2016		No. Currently discussions in progress
G4. Collective Bargaining	GRI 102: General Disclosures 2016	SDG 10	Refer Heading 9.4
G5. Supplier Code of Conduct	GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016*	SDG 12	Yes. 100% of vendors or suppliers required to follow a Code of Conduct.
G6. Ethics and Anti-Corruption	GRI 102: General Disclosures 2016 GRI 103: Management Approach 2016*	SDG 16	Refer Heading 7.2
G7. Data Privacy	GRI 103: Management Approach 2016*		Yes. We follow a Data Privacy policy. Yes. Taken steps to comply with GDPR rules.
G8. Sustainability Reporting			Yes. We publish a sustainability report. Yes. Sustainability data included in our regulatory filings.
G9. Disclosure Practices			Yes. We provide reporting frameworks. Yes. We focus on specific UN Sustainable Development Goals (SDGs). Yes. Our SDG targets and progress report is in process.
G10. External Assurance	GRI 102: General Disclosures 2016 * GRI 103: Management Approach 2016 is to be used in combination with the topic specific Standards		Yes. Selected segments of the report will be undergoing external assurance by a third party, emphasizing our commitment to transparency and accountability

04.
Governance Report

Mashreq, or the Bank, or the Group refers to Mashreqbank PSC.

Introduction and Corporate Governance Framework

"Mashreq is committed to upholding high standards of corporate governance and ethical conduct, fostering a culture that promotes effective decision-making and behaviour."

Statement from the Chairman of the Board

"On behalf of the Board of Directors of Mashreq, I am pleased to present the Governance report of Mashreq for the year 2023. Mashreq's Board of Directors emphasizes the importance of good governance, recognizing its pivotal role with respect to monitoring the execution of the Group's strategy. Mashreq is committed to upholding high standards of corporate governance and ethical conduct, fostering a culture that promotes effective decision-making and behaviour.

Mashreq in its dedication to robust governance, consistently monitors emerging governance trends and regulations, both locally and globally. During 2023, the Corporate Governance and Company Secretariat function, supported by external experts reviewed the Groups' governance framework, which included assessing the framework's compliance with regulatory requirements and leading best practices, in addition to identifying areas for further enhancement.

Mashreq's governance framework includes deep-dive reviews of policies and charters encompassing corporate governance, risk management, internal controls, compliance, internal audit, financial reporting, external audit, and outsourcing are conducted to ensure compliance with regulatory requirements.

Mashreq, along with its local and international subsidiaries and branches acknowledges the pivotal role of a robust corporate governance framework. The subsidiaries governance framework policy is being reviewed to enhance decision-making, foster transparent relationships with stakeholders, and promote high-quality disclosure. The Group emphasizes that an effective governance framework should possess attributes that support governance, tools to address associated risks, and a coherent structure aligning management's responsibilities with the Board's oversight duties."

H.E. Abdul Aziz Al Ghurair

Chairman of the Board of Directors

Corporate Governance Framework

Mashreq has adopted a strong corporate governance infrastructure with clear roles and responsibilities articulated at different levels.

The Bank is operated and controlled through the structure and mechanism adopted in the Corporate Governance system. The shareholders' role in Governance is to appoint the directors and the auditors and to assure themselves that an appropriate governance structure is in place.

The Board of Directors is responsible for the Governance of the Bank and its responsibilities include setting the Bank's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.

The Board is also responsible for protecting the rights and interests of the minority shareholders of the Bank. The Board's actions are subject to laws, regulations and the decisions of the shareholders made in General Assembly Meetings.

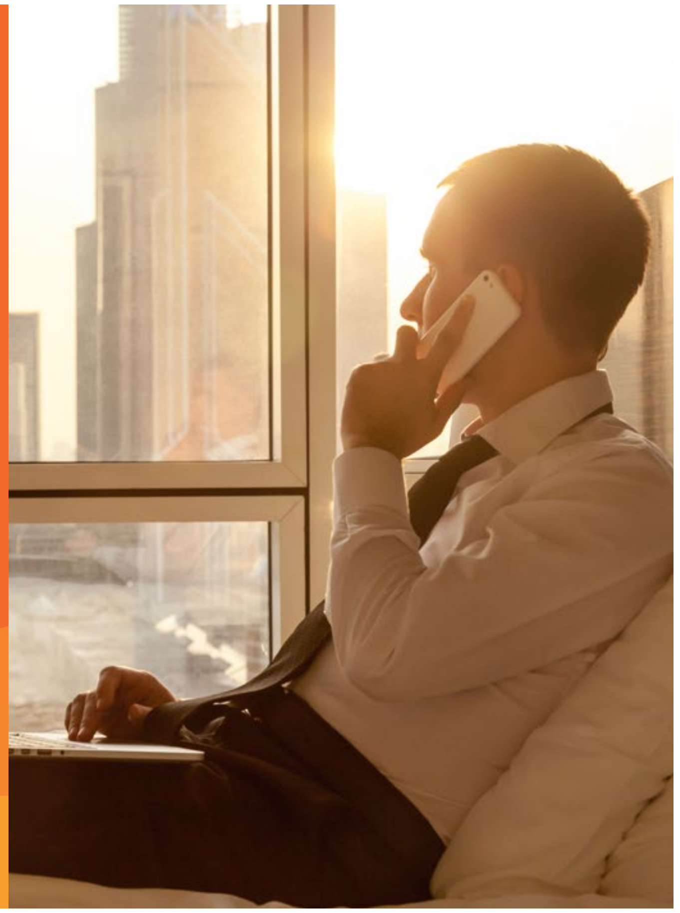
Mashreq's strong commitment to best practices of corporate governance has been a fundamental factor in its consistent financial and operational success.

This commitment is essential for the Bank's growth strategy and future aspirations, instilling trust in its investors, customers, partners, and communities. To ensure the interest of its diverse stakeholders are protected, Mashreq continually reviews and enhances its corporate governance approach. This ensures that the Bank remains at the forefront of best practices, adapting to evolving regulatory, policy, and business landscapes.

In 2023, the Bank performed an exercise to review and update the entire group's governance framework including all related policies and charters of the Board and Committees in line with best practices, UAE Central Bank regulations and SCA regulations.

Furthermore, it extended the governance framework to cover local, regional, and international subsidiaries, reinforcing its Group structure oversight in accordance with applicable regulations and the Bank's governance principles, policies and mechanisms.

Mashreq is committed to high standards of corporate governance while ensuring compliance with the relevant applicable regulations of the UAE Central Bank and the Securities & Commodities Exchange Authority.



Key Achievements for 2023

Fostering UAE National Talent

In 2023, Mashreq undertook significant Emiratization initiatives, spearheading a new Nationalization Strategy that was finalized and shared with the Group CEO and Group Heads. The Bank had revamped and initiated an Internship Programme, fostering talent development. Additionally, the successful completion of the 3rd Batch of the ACE program demonstrated the Bank's commitment to enhancing the skills of its Emirati workforce. **Through meticulous focus groups based on the 2022 Saadati survey results, the Bank gained valuable insights for further improvements.** Importantly, Mashreq not only surpassed its Emiratization recruitment target but also achieved nationalization targets in Qatar, Kuwait, and Bahrain, reinforcing its dedication to the regional workforce.

Emiratization targets are based on Central Bank's pointing system which come in twofold, Operational points which we have achieved 1986 versus target of 1814 and Recruitment points which we have achieved 123 versus target of 120. **As of December 2023, four of the Bank's executive management committee members are UAE Nationals.** Overall Emiratization percentage target is 45% which is to be achieved by December 2026.

Advancing Digital Wholesale Experience

Wholesale Digital Studio has a strategic focus on four pillars – Improving Customer Experience, identifying opportunities for Revenue uplift, improving Risk Management strategies and driving Operational Efficiencies. **Our Advanced Analytics team had significant achievements in building in-house models and using proprietary and external big data to identify new business opportunities.** Mashreq is a regional pioneer, being the first bank with Large Language Models for real-time analytics. During the year, Mashreq introduced Electronic Facial Recognition (EFR) for a 100% paperless onboarding experience in CIBG accounts. This feature allows digital authentication of unlimited number of signatories across multiple ownership layers. This is the first in the region for large corporates. **We also embarked on AI enabled data driven decision making to execute trade sales for our FI business.** Mashreq established its 100% owned Venture Studio; Neo Ventures in DIFC during the 4th quarter, 2023. NeoVentures will be working on commercialization of digital assets, forming partnerships while exploring investment opportunities with regional and global FinTech's as well as increasing the brand awareness on innovation in close engagement with the ecosystem stakeholders. The Bank has signed a notable MOU in December 2023 with a UAE based FinTech partner to offer carbon-offsetting products and services to our Corporate Clients.

Innovating Digital Retail Experience

In 2023, the Retail Banking Group (RBG) undertook a significant transformation, building upon the robust momentum of 2022. Our efforts were concentrated on streamlining, unifying, and fortifying our digital infrastructure, positioning us for regional expansion. **We unveiled numerous customer-centric features across diverse segments, notably elevating our mobile and online banking interfaces.** Our enhanced digital infrastructure not only facilitated the successful launch of the acclaimed Mashreq App with a stellar App store rating but also **empowered us to lead the market with pioneering initiatives in digital wealth management and climate-conscious banking** as key examples. Additionally, we introduced innovative service capabilities for clients and relationship managers, extending our digital footprint beyond the UAE.

Rewards and Accolades

"Great Place To Work" award.

1,285

Individuals were hired globally during 2023.

42%

Representing diversity candidates.

Reinforcing People and Intellectual Capital

In 2023, Mashreq implemented significant HR initiatives to enhance organizational effectiveness. The PICG organization underwent a restructuring, establishing specialized divisions focusing on organizational development, employee experience, and employee relations. A new Employee Value Proposition was introduced, emphasizing the Bank's commitment to its workforce.

The People Intellectual Capital Group (PICG) Digitization Transformation program was launched to upgrade systems and integrate them into a unified platform. Intellectual Capital and Org Development initiatives included the **launch of the Global Induction Program and the revamping of the high-potential talent program, now known as LEAD** (Lead, Engage, and Accelerate Development).

Performance Management saw a comprehensive review, leading to a streamlined appraisal process with reduced checks from 3 to 2 (mid-year and annual only). The year-end performance ratings scale was also revised from 3 to 4, providing a more nuanced evaluation.

In Rewards and Recognition, **employee insurance offerings were enhanced in the UAE and overseas.** A new global recognition scheme named Value was introduced, aiming to appropriately identify and reward performance excellence. Pay and benefits at Mashreq Global Network (MGN) were continually reviewed, resulting in several enhancements to align with changing economic environments in Pakistan and Egypt. Additionally, an exception grant (2 monthly salaries) along with a monthly allowance was introduced.

An all-new PICG pay and policy document was introduced for the two new Mashreq entities, Mashreq Digital Bank in Pakistan and Mashreq Oman. People Connect sessions were initiated to improve employee engagement globally, with two successful sessions held during the year.

In Talent Acquisition, 1,285 individuals were hired globally during 2023, with 42% representing diversity candidates. As part of planned closures of two UAE-based subsidiaries (Taqania and Kafaat), around 500 employees were smoothly transferred into the payroll of Iniaz and Mashreq Bank.

Mashreq had also received notable accolades, including the "Great Place To Work" award for being the best place to work in the IT sector in India, bestowed by the Great Place to Work Institute. The Bank was also recognized with the ETHR Best Places for Women to Work award by Economic Times HR at MGN India. Further recognition came from the Ministry of Labor in Qatar, acknowledging the support extended by Mashreq Bank in Qatar in achieving its goals.

Engaging Corporate Social Responsibility (CSR) and Social Contributions

Mashreq works closely with its community partners to create a thriving and inclusive local community where everyone feels valued.

In collaboration with the Bank's partners, a wide number of local initiatives was supported throughout the year, some of which are highlighted below.

Ramadan Food Wastage Awareness Campaign	CSR	No Cash
Ashriqi Committee internal engagement activities on women empowerment 2023		
Participation in Cop 28	ESG	AED 5,500,000
Climb2Change- Cleanup of world's 7 highest mountains and 7 base camps Phase 1		AED 814,740

Prioritizing ESG Initiatives

In 2023, Mashreq showcased a robust commitment to sustainability through initiatives like Climb2Change and a comprehensive ESG education program, fostering a culture of responsibility from the board level. The bank actively participated in COP28, aligning with the UAE's climate action plan.

Mashreq received acclaim for contributing to the UAE Banks Federation's AED 1 Trillion sustainable finance pledge, committing to facilitate AED 110 Billion ($30 Billion) for adaptation projects. With over 30 sustainable financing deals since 2021, including a $2.5 billion Sustainability-linked loan for Bapco Energies, Mashreq demonstrated its prowess in sustainable finance. Pioneering digital platforms like Nature Saver Account and a partnership with Visa and ecolytiq for carbon insights underline the bank's commitment to environmental impact.

The bank's Notice Nature initiative, use of 100% recycled plastics, and pledge to the Science-Based Targets initiative's (SBTi) Net-Zero Standard further highlight its comprehensive sustainability approach. Recognitions like "Best Commitment to ESG Principles UAE 2023" and the Majra Impact Seal - Gold Tier 2022 affirm Mashreq's leadership in global financial excellence. The LEED Zero Energy certification for its Global Headquarters attests to its commitment to net-zero resources and carbon operations.

Strengthening Information Security and Data Protection

During 2023, Mashreq's Information Security Group (ISG) experienced a transformative year marked by significant initiatives. **Enhanced partnership with Technology enabled reduce some key operational security risks, related to workstation protection, DDoS protection, reduced vulnerabilities in key IT assets, etc.** ISG enabled strategic business initiatives in Egypt, Pakistan as well as the UAE. The Bank maintained robust relationships with information security regulators globally, resulting in positive assessments without any adverse findings. Ongoing commitment to regulatory framework compliance, including renewed PCI-DSS and SWIFT CSP certifications, and CBUAE NESA, showcased the Bank's dedication to up-to-date security standards, fostering trust with regulators, business partners and customers. **The enhancement of data protection controls and Privacy forum were crucial in fortifying business and personal data security across the entire organization, as well as the enhancement of the Privacy management solution.** ISG continued its transformation by launching an assessment of the bank's information security posture, that will contribute to enhance its information security strategy for 2024-2026.

Enhancing Technology

In 2023, the Retail Banking Group executed the migration and convergence of Neo in the UAE bringing standardization and an elevated customer experience, launched e&Neo in Egypt expanding market reach, and the integration into Egypt's national instant payment network. In addition, the team enhance system resilience ensuring a seamless and optimal customer experience.

Mashreq's Corporate and International Banking Group operationalized the strategic corporate platform, Titan, across four countries streamlining cash and payment transactions. Mashreq became a leader in collection digitization by launching the new solution Mindgate. The initiation of a state-of-the-art digital Trade platform and direct integration of Customer Enterprise Resource Planning (ERP) applications exemplified the Bank's commitment to efficiency and innovation.

Key programs and projects had a substantial uplift through the establishment of the Transformation Office, which shaped key growth programs such as Pakistan Digital Retail Bank , replacement and modernization of core banking in 3 key markets, uplift of the treasury landscape, Mashreq's expansion into a new geography, plus more.

In the realm of client experience and ESG focus, **Mashreq launched the AI chatbot automating self-service handling of 80+ different scenarios and also witnessed the initiation of Technology ESG Data framework analysis underscoring the Bank's dedication to environmental, social, and governance considerations.**

Many firsts were achieved on Payment modernization, exceeding regulatory mandates – Mashreq was a leader in the region to implement Faster Payment solutions AANI and BUNA, delivered Positive Pay mandate, and continued its journey to upgrade to ISO20022, plus many more.

Innovative AI/ML solutions were at the core of enhancing Compliance and Risk management where **Mashreq delivered its Eagle Eye platform strengthening investigative capabilities, systems for monitoring correspondent banking transactions, and Court Case management system infused with AI/ML capabilities demonstrated efficiency in legal processes.**

Data Management and Intelligence capabilities have been established through the full implementation of a new Data Lake infrastructure (retiring legacy), Real-time Data in Motion platform creating new revenue generation streams, and Data Governance was put in place to monitor and enhance data quality. Regulatory reporting automation across countries further improved accuracy, efficiency, and compliance.

Mashreq has extended further effort in improving resilience and stability, which resulted in a significant reduction in incidents and impacts, **while effective process controls resulted in a double digit percentage reduction in incidents related to change.** Mandating Enterprise Architecture and Design reviews for ongoing initiatives reflected a commitment to a streamlined and controlled service management processes.

AI chatbot Launched

Automating self-service handling of 80+ different scenarios.

Eagle Eye Platform

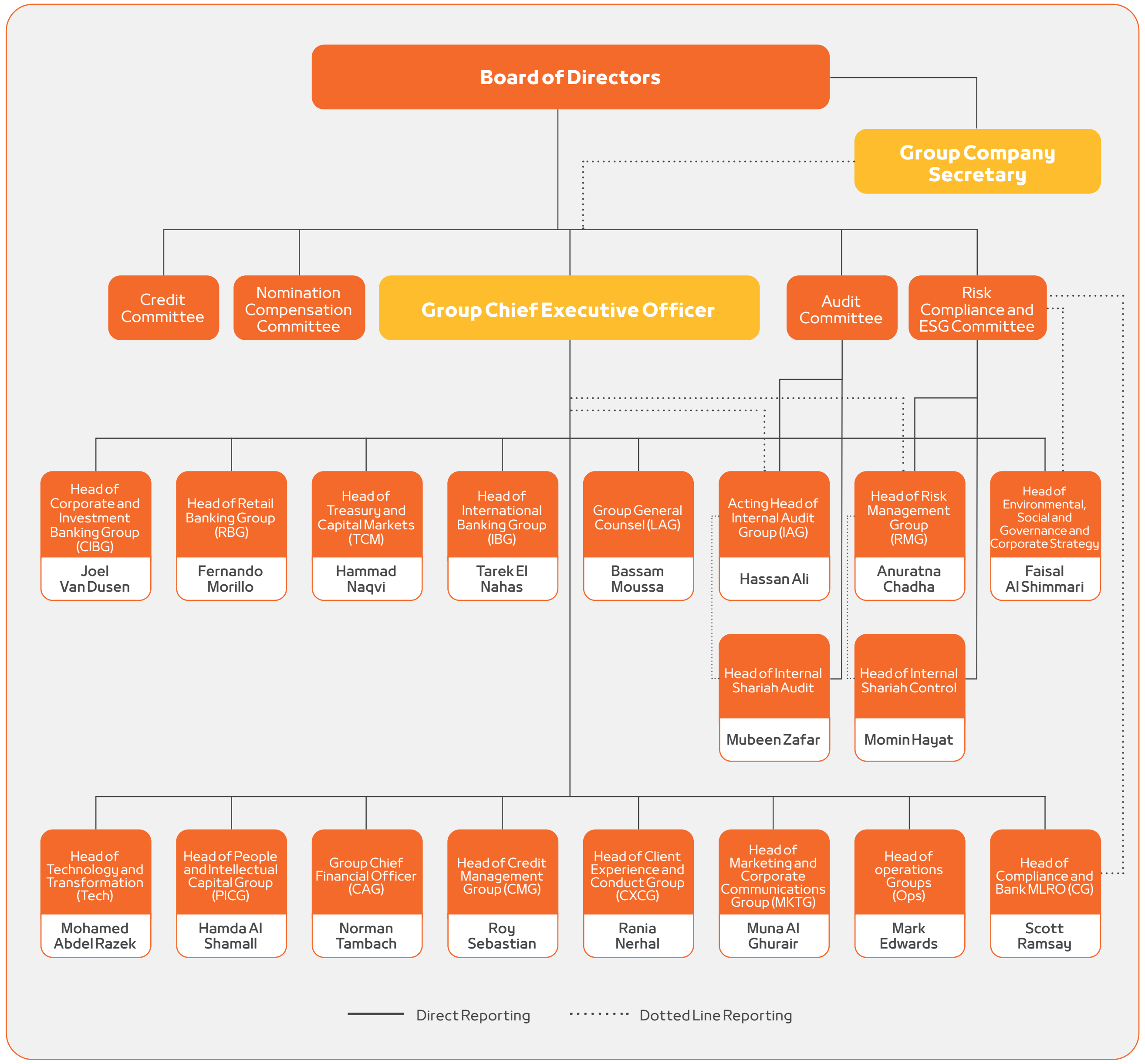
Strengthening investigative capabilities, systems for monitoring correspondent banking transactions.

Effective Process Control

Resulted in a double digit percentage reduction in incidents related to change.

Governance Structure and Model

Organization Structure (Dec'2023)



A pivotal component of the Bank's governance structure lies in its reporting lines, which play a crucial role in upholding good governance in the following ways:

This well-defined reporting framework contributes to the Bank's overall commitment to effective governance and ensures that key functions operate with autonomy and accountability.

The Group Chief Risk Officer, and Head of Internal Shari'ah Control are independent and reports to the Board Risk, Compliance, and ESG Committee.

The Group Head of Compliance and Bank MLRO reports directly to the Group Chief Executive Officer and has direct access to the Board Risk, Compliance and ESG Committee.

The Group Head of Internal Audit and the Head of Internal Shariah Audit are independent and reports to the Board Audit Committee.

The Group Company Secretary is independent and reports to the Board of Directors.

For more information on Board Committees, please refer to Board Committees Section in this report.

In 2023, Mashreq continued to enhance the subsidiaries governance model by reviewing and incorporating changes to the Group's subsidiary framework.

Subsidiary Governance

Following Mashreq's updated Group Corporate Governance Framework and adherence to relevant laws, Mashreq maintains oversight over its Group structure while preserving the independence of its entities. Each of the Group's international entities are required to comply with the Group's Corporate Governance Policies and with the applicable laws and regulations that apply in their jurisdiction.

Mashreq operates a number of subsidiary companies, branches and representative offices both in the UAE and internationally, spanning jurisdictions in Europe, America, Africa, Middle East and Asia.

All of the Group's international subsidiary companies, branches and representative offices are required to comply with the Mashreq's Group Corporate Governance Policy and with the applicable laws and regulations that apply in their jurisdiction.

In 2023, Mashreq continued to enhance the subsidiaries governance model by reviewing and incorporating changes to the Group's subsidiary framework and has put in place mechanism for Board oversight over its subsidiaries.

The following is the list of subsidiaries of the Bank as at 31 December 2023:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)		Principal activity
		31 December 2023	31 December 2022	
Subsidiary				
Sukoon Insurance (PJSC)	United Arab Emirates	64.76%	64.46%	Insurance and reinsurance
Mindscape FZ LLC	United Arab Emirates	100.00%	100.00%	IT services
Mashreq Securities LLC	United Arab Emirates	100.00%	100.00%	Brokerage
Mashreq Capital (DIFC) Limited	United Arab Emirates	100.00%	100.00%	Asset and fund management
Mashreq Al Islami Finance Company (PJSC)	United Arab Emirates	99.80%	99.80%	Islamic finance company
Injaz Services FZ LLC	United Arab Emirates	100.00%	100.00%	Service provider
Invictus Limited	Cayman Islands	100.00%	100.00%	Special purpose vehicle
Al Taqania Employment Services One Person Company LLC	United Arab Emirates	100.00%	100.00%	Employment services
Al Kafaat Employment Services One Person Company LLC	United Arab Emirates	100.00%	100.00%	Employment services
Mashreq Global Network	Egypt	100.00%	100.00%	Employment services
Mashreq Global Services (SMC Private) Limited	Pakistan	100.00%	100.00%	Employment services
Shorouq Commodities Trading DMCC	United Arab Emirates	100.00%	100.00%	Trading
IDFAA Payment Services LLC	United Arab Emirates	100.00%	100.00%	Payment service provider
Osool – A Finance Company (PJSC)*	United Arab Emirates	100.00%	100.00%	Finance
Mashreq Bank Pakistan Limited	Pakistan	100.00%	-	Banking
Mashreq Neo Venture	United Arab Emirates	100.00%	-	Corporate venture capital company

*Under liquidation.

As at 31 December 2023 and 31 December 2022, the Bank had the following associates and joint venture:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest (%)	Principal activity
Associate Emirates Digital Wallet LLC	United Arab Emirates	23.61%	Digital wallet service
Joint venture Noon Digital Pay LLC	United Arab Emirates	51.00%	Digital wallet service

Board Effectiveness And Oversight

Board of Directors Profiles

H.E. Abdul Aziz Abdulla Al Ghurair
Non-Executive Chairman

Mr. Abdulaziz Al Ghurair was appointed as Chairman in 2019. With over 30 years of experience in banking and finance, H.E. Abdul Aziz Abdulla Al Ghurair has been a Board member of the Bank for over 25 years. He holds an Honors' Degree in Industrial Engineering from the California Polytechnic State University.

External Appointments:

- Chairman -Oman Insurance PJSC
- Chairman - Dubai Chamber of Commerce and Industry
- Chairman - UAE Banks Federation
- Governing Council Member - Global Muslim Philanthropy Fund for Children in partnership with UNICEF and Islamic Development Bank
- Chairman - Abdul Aziz Al Ghurair Refugee Education Fund
- Chairman – Masafi LLC
- Chairman of Abdullah Al Ghurair Education Foundation
- Emeritus Chairman and Board member of Family Business Council-Gulf
- Vice Chairman - Al Ghurair Holding Limited
- Vice Chairman - Al Ghurair Investment Co. LLC

Mr. Ali Rashid Lootah
Non-Executive Vice-Chairman

Mr. Ali Rashid Lootah was appointed to Mashreq's Board of directors in 1996. He is a businessman and a civil engineering graduate from Clarkson University in the United States.

External Appointments:

- Vice Chairman - Oman Insurance Co.
- Chairman - Osool Finance Company PJSC.
- Vice Chairman - Mashreq Al Islami Finance Company PJSC

Mr. Saeed Saif Al Ghurair
Non-Executive Director

Mr. Saeed Saif Al Ghurair was appointed to Mashreq's Board of Directors in 2021 and holds a degree in Mechanical Engineering from Northeastern, Boston, USA. He is the Chairman of Board Nomination and Compensation Committee at Mashreq Bank. Mr. Saeed also holds the position of CEO of Al Ghurair Commodities.

External Appointments:

- Board Member - Al Ghurair Group LLC
- Board Member - Al Ghurair First
- Board member - Dubai Chambers of Commerce
- Board member - Taghleef Industries

Board Committee membership Key

- Committee Chair
- Board Nomination Compensation Committee
- Board Credit Committee
- Board Audit Committee
- Board Risk Compliance and ESG Committee

Mr. John Lossifidis
Independent, Non-Executive Director

Mr. John Iossifidis was appointed to Mashreq's Board of Directors in 2021. Mr. Iossifidis is a highly respected, award-winning executive with over thirty-five years of financial sector experience, leading large multinational and regional institutions across the Middle East and Asia Pacific and holds an MBA from Monash University, Australia. Mr. Iossifidis formerly served as the CEO of Noor Bank and currently holds serves as the Group CEO of Al Ghurair Investment LLC.

External Appointments:

- Senior Independent Director - Hellenic Bank Public Company Ltd in Cyprus

Mr. Iyad Malas
Non-Executive Director

Mr. Iyad Malas was appointed to Mashreq's Board of Directors in 2021. He is a seasoned executive with over 30 years of experience in various senior roles, spanning many countries and industries, including real estate, retail, leisure and entertainment, financial services, and investments and holds an MBA from George Washington University, USA. Mr. Malas formerly served as the CEO of Majid Al Futtaim Holding and holds the current position of CEO of Al Ghurair First Group LLC.

External Appointments:

- Board Member - National Cement Company PJSC
- Board Member - Tim Hortons Middle East

Mr. Rashed Saif Saeed Al Jarwan Al Shamsi
Independent, Non-Executive Director

Mr. Rashed Saif Al Jarwan was appointed to Mashreq's Board of Directors in 2013.

Mr. Al Jarwan has over 40 years of experience in the oil and gas industry and holds a B.Sc. degree in petroleum and natural gas engineering from the Pennsylvania State University, USA.

External Appointments:

- Vice Chairman - Dana Gas PJSC
- Board Member - Oman Insurance Co. PJSC
- Board Member - Al Ghurair Holding Ltd
- Board Member - Emirates General Petroleum Corporation (Emarat)

Board Committee membership Key

- Committee Chair
- Board Nomination Compensation Committee
- Board Credit Committee
- Board Audit Committee
- Board Risk Compliance and ESG Committee

Mr. Rashed Saif Ahmed Al Ghurair
Non-Executive Director

Mr. Rashed Saif Ahmed Al Ghurair was appointed to Mashreq's Board of Directors in 2013.

External Appointments:

- Chairman - National Cement Company PJSC
- Chairman - Taghleef Industries (LLC)
- Managing Director - Al Jazeera Petrochemicals
- Board Member - The Initial Badger
- Board Member - Saif Al Ghurair Investment
- Board Member - Al Ghurair Iron and Steel AGIS
- Board Member - Gulf Clouds (for aluminum) GulEx
- Board Member - Taweelah Aluminum Company, TALEX
- Board Member - Arab Packaging Company
- Board Member - Atheer Real Estate Company

Shaima Al Obeidli
Group Company Secretary

Shaima Al Obeidli was appointed as the Group Company Secretary in May 2022.

Shaima has over 14 years of significant governance and regulatory experience across various roles held in the banking industry and last held the role of the Board Secretary of Commercial Bank of Dubai. Shaima is a Certified Board Secretary by Hawkamah and DFM and holds a Bachelor's degree in Law and Economics from Jazeera University and a Bachelor's degree in Shari'a and Law from the University of Sharjah.

She also holds an advanced certificate of Corporate Governance from the Chartered Governance institute (CGIUKI) and is an Affiliated Member of CGIUKI.

Board Committee membership Key

- Committee Chair
- Board Nomination Compensation Committee
- Board Credit Committee
- Board Audit Committee
- Board Risk Compliance and ESG Committee

Board Fact Box

All members of the Board are Non-Executive

There are four Board Committees

Board and Board Committees held a total of 27 meetings in 2023

An annual Board assessment is conducted

Board and Board sub-committees are using Diligent Platform to maintain confidentiality

Board declaration forms are implemented on a quarterly basis

100% director attendance at scheduled Board meetings during 2023

Board Appointment

Mashreq's Board is elected by its shareholders at the General Assembly and the elected Board is accountable to its shareholders. Amongst its responsibilities, the Board shall be responsible for the setting and directing of the risk appetite, effective controls and risk management of the Bank.

The Board has the full authority to perform all activities necessary for providing the control and effective strategic guidance in relation to the Bank and its management.

The Board's functions include the following:

- Setting the Bank's strategy
- Setting Risk Appetite and overseeing risk management
- Overseeing financial Reporting, internal controls, communications, and public disclosure; and
- Defining the Bank's Corporate Governance structure – including principles, guidelines, and practices - which establishes the fundamental relationships among the Board, its committees, management, shareholders, and other stakeholders

Mashreq prioritizes a strong board to serve the interests of stakeholders involved. Directors at Mashreq are required to seek re-election every three years according to Federal Decree Law No. [32] of 2021 on Commercial Companies and the Bank's articles of association. The current directors of Mashreq were appointed in 2021 for a term of three years.

Female Representation

In the current Board appointed by the AGM held on 19/04/2021, there were no female representation in the Board as no female candidate was nominated. However, Mashreq acknowledges the importance of female representation and shall work on addressing this in the Board cycle in 2024.

Board Performance and Evaluation

The evaluation process is a vital tool for Board's development, fostering mutual trust among Directors, Senior Management and the stakeholders in the Bank. It involves assessing meeting efficiencies, decision making, external representation, and the Board Committees' fulfilment of their responsibilities. The Board has appointed an external consultant to perform the Board evaluation for year 2022, and therefore for the year 2023, Board evaluation exercise was done internally and results were reviewed at the Board Nomination and Compensation Committee where it was concluded that the Board continues to operate effectively while also identifying some areas for improvement.

Board Training and Development

The Bank is committed to regularly evaluating and updating the skills and knowledge of its Board to align with the Bank's overall strategy and operational environment. The Board interacts with the Senior Management on specialized subjects and can access independent professional advice to fulfil its duties.

In 2023, the Company secretariat and Corporate Governance team worked closely with the stakeholders across the Group to prepare comprehensive training plan for the Board. In this reporting period, the Board members engaged in detailed sessions presented by external expertise covering topics related to Climate Risk and ESG, Information security, and Compliance.

Board Meetings

The Board and Committee meetings annual schedule gets approved by the full Board in December. All meeting invitations are circulated at the beginning of the year. The Board meetings agenda are prepared by the Group Company Secretary in liaison with the Chairman and the Group Chief Executive Officer. Board packs are circulated in advance of the scheduled meetings. During 2023, the Board of Directors held seven (7) meetings of which board attendance was 100%.

Date of Board meeting	Number of Director attendees	Names of Absent Directors	Number of Board Resolutions passed
31 Jan 2023	7/7	N/A	5
6 April 2023	7/7	N/A	1
27 April 2023	7/7	N/A	6
26 July 2023	7/7	N/A	6
25 Sept 2023	7/7	N/A	5
26 Oct 2023	7/7	N/A	5
12 Dec 2023	7/7	N/A	6

The Board and its Committees regularly discuss topics that are fundamental to the direction of Mashreq, including business performance, long-term planning, budget strategy, risk appetite and management, and other fundamental matters as required.

The key business discussed at the main board meetings throughout the year is detailed below:

	Meetings at which topics were discussed					
Topics discussed	**January**	**April**	**July**	**September**	**October**	**December**
Financial performance, planning and control	●	●	●		●	
Budget and Strategy						●
Business Updates	●	●	●	●		●
Audit and Internal controls	●		●		●	
Risk and Compliance	●	●	●		●	
Governance Updates	●	●	●		●	●
Board Committee Reports	●	●	●	●	●	●
Management Committee Report	●	●	●	●	●	●
Subsidiaries Updates		●	●	●	●	●
Islamic Banking Updates				●	●	

Board Remuneration

The Board's total remuneration paid in 2023 for the year ended 31st December 2022 was AED 3,250,000. The Board do not receive any additional allowance for attending Board or Board Committee meetings.

The Board's proposed total remuneration for the year ending 31st December 2023 to be paid in 2023, is AED 3,250,000 subject to the Board Nomination Compensation Committee and the Board's endorsement and subject to the final shareholder's approval at the Annual General Assembly meeting.

Chairman	AED 550,000
Board Members each	AED 450,000

Director's and their Related Party Shareholdings

Name	Position/ Relationship	As at 31/12/2022	As at 31/12/2023	Change in shareholding
Ali Rashed Lootah	Board Member	229,003	229,003	0
Rashed Saif Al Ghurair	Board Member	1,130	1,130	0
Mansoor Abdul Aziz Al Ghurair	Son of Chairman	1,543	1,543	0

Board Oversight Over Conflict of Interests and Related Party Transactions

Conflict of Interest

The Group Company Secretary maintains a register of Conflict of Interest for Board and Senior Management. Mashreq ensures transparency regarding transactions involving Board or related parties by providing details for Board review and approval. If a Board member has a potential conflict of interest, they abstain from discussions and voting on related matters. The Board remains informed about external interests and commitments of its members and Senior Management. The Board adheres to a conflict of interest policy designed specifically to the Board to maintain ethical conduct and prevent conflicts of interest within the Bank.

Related Party Transactions

Mashreq has in place a Policy on Related Party Transactions which is intended to ensure that the dealings in related party transactions meet proper approval and reporting norms as required under the applicable laws of United Arab Emirates and to ensure that Bank's Financial Statements contain the disclosures necessary to draw attention to the possibility that its Financial Position and Profit or Loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such related parties.

Statement of the details of transactions made with the related parties (Stakeholders) during the year 2023:

Balances (AED '000)	Major Shareholders	Directors
Loans and Advances	2,841,401	104,186
Deposits/Financial Instruments under Lien	791,963	334,998
Letter of credit and guarantees	1,383,801	251

Board Oversight Over Risk Management

Mashreq's enhanced Corporate Governance Framework emphasizes the pivotal role of risk management, overseen by the Board. The Board holds the primary responsibility for establishing the Banks Group's risk appetite and ensuring effective risk management practices. The Board Risk, Compliance and ESG Committee duties encompass evaluating the efficacy of the Group's risk management organisation, systems and controls, stress test outcomes, and ensuring that the Bank's risk governance encourages responsible risk-taking throughout the organization. .

Board Oversight Over Compliance and Internal Controls

The Board performs a key role in its oversight of Mashreq's financial reporting, the transparency and integrity of its financial disclosures and the adequacy of internal controls framework in addition to the effective Group's compliance function. This is performed by the Bank's Board Audit Committee which reviews and assesses International Financial Reporting Standards (IFRS) governance and the financial reporting process on a regular basis and aids the Board in ensuring effective internal controls in place, by approving the internal audit plan, and overseeing the Internal Audit's effectiveness while addressing identified deficiencies. The Board Risk Compliance and ESG Committee is responsible to review and assess the compliance function. The issues raised in the audits are recorded in a system, tracked for closure and reported to the management and Board Audit Committee regularly. In 2023, no issue with major impact has been detected.

Number of reports issued by the Internal Control Department to the Company's Board of Directors.

Internal Audit issued 100 reports during the year 2023. The reports are provided to the Board Audit Committee and the details of the relevant issues are discussed in the quarterly Board Audit Committee meetings.

Details of the violations committed during 2023

During 2023, Mashreq was advised of a few violations due to non-compliance of regulatory obligations in UAE and Overseas branches. This resulted in minor penalties in UAE (under appeal), Qatar and London branch, and two enforcement actions in UAE. Necessary action has been taken into consideration for future compliance and details are available upon request.

Board Committees

Board Audit Committee (BAC)

Committee Composition as of 31st Dec 2023

John Iossifidis (Independent Chairman)

Rashid Al Jarwan (Member)

Iyad Malas (Member)

BAC Meetings in 2023:

During 2023, the Committee had a 100% attendance with no absences.

Date of BAC Meeting	Number of Attendees	Absent Members
27 Jan 2023	3/3	-
14 Feb 2023	3/3	-
25 April 2023	3/3	-
24 July 2023	3/3	-
24 Oct 2023	3/3	-

"The Committee is responsible for overseeing Mashreq's financial reporting, and internal controls, and ensuring compliance with regulations to foster transparency, integrity, and accountability."

Statement from the Chairman of the Board Audit Committee

"Dear Shareholders,

I am pleased to present the Board Audit Committee Report for the year ending 2023.

The purpose of the Audit Committee is to assist Mashreq's Board of Directors in fulfilling its oversight responsibilities by:

- ensuring that financial statements are prepared in accordance with accounting policies and practices that are widely accepted internationally and supported by record keeping systems and that financial statements are issued annually to the public together with an independent External Auditor's opinion;
- ensuring that the Bank does not present their audited financial statements at the meeting of the general assembly, or otherwise make public such statements, unless they have obtained the prior written no-objection from the Central Bank;
- monitoring the accuracy, integrity and transparency of the Bank's financial statements with adequate and timely disclosures of financial statements;
- reviewing the financial reporting process and establishment of significant accounting policies and practices;
- ensuring adequate governance structures and control processes for all financial instruments that are measured at fair value for risk management and financial reporting purposes;
- ensuring that the Bank prepares their financial statements in accordance with the IFRS and the instructions of the Central Bank;
- avoiding any action in whatever form, which may disclose or reveal their intentions regarding distribution or repatriation of profits, retained earnings, reserves, or other component of regulatory capital, unless they have obtained the prior written no-objection from the Central Bank;
- ensuring valuation practices consistent with IFRS and subject the fair value estimation framework, structure and processes to independent verification and validation;
- ensuring the publication on the Bank's website of the audited financial statements together with the independent External Auditor's opinion no more than four months after the financial year end. They must also be published in the Bank's annual report;
- supervising the effectiveness of the Bank's internal control function;
- recommending to the full Board, for it to be put to the shareholders for their approval at General Assembly Meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and Terms of Engagement of the external auditor;
- confirming the external auditor's qualifications and independence;
- ensuring the External Auditor conducts audits in accordance with the International Standards on Auditing (ISA) that require the use of a risk and materiality-based approach in planning and performing audits;
- ensuring the scope of the external audits include areas such as the loan portfolio and loss provisions, non-performing assets, asset valuations, trading and other securities activities, derivatives, asset securitizations, consolidation of and other involvement with off-balance sheet vehicles, the Pillar 3 reporting and the adequacy of internal controls over financial reporting;
- supervising the performance of the Bank's internal audit function and independence;
- reviewing and approving a comprehensive internal audit plan and quarterly report prepared by the internal audit team;
- ensuring the internal audit function independently evaluates - compliance with laws, regulations, standards, and the instructions issued by the Central Bank;
- reviewing the effectiveness of the Bank's whistleblowing mechanism; and

- reviewing reports on complaint management and resolutions to ensure that the standards followed are compliant with the Consumer Protection Regulation and Standards.

The Committee met 5 times during the year fulfilling its responsibilities outlined in its charters. Regular engagements were held with internal and external auditors and at some instances without management presence to discuss emerging issues independently. Key achievements in 2023, included recommending Deloitte & Touche as the Group's External Auditors. The Committee closely reviewed and monitored progress of the UAE Central Bank examination findings. Various topics were discussed, reviewed, and approved not limited to the below:

- Review of financial results
- Internal Audit Updates including Head Office Audit, Overseas Audit,
- Internal Shari'ah Audit
- External Auditor Selection and Appointment
- Compliance Updates including regulatory updates
- Central Bank Examination Updates
- Central Bank Examination – Egypt Updates
- Update on Ombudsman Unit
- External Auditor's reports
- Updates to the Internal Audit Plan
- Updates to the internal Audit Manual

Furthermore, the Committee reviewed and approved the amendments made to the Internal Audit Charter, for approval of the full Board."

John Iossifidis

Chairman of the Board Audit Committee

BAC role regarding the External Auditor

It is Mashreq's Board Audit Committee's responsibility to support in the appointment of the External Auditor. The selection of the external auditor is driven by Mashreq's External Auditor Selection Policy, the Board Audit Committee Charters and the Abu Dhabi Accountability Authority (ADAA) Statutory Auditors Appointment Rules. The Board Audit Committee is responsible for the following with regards to the External Auditor:

- ensuring the External Auditor indicates whether the financial statements of the Bank clearly and impartially reflect the financial position and performance of the Bank in key areas;
- approving, reviewing and revising the External Auditor Engagement Policy annually;
- making recommendations to the Board, for it to put to shareholders for approval at the General Assembly Meeting in relation to the appointment, re-appointment, or removal of the external auditor;
- rotating the external auditor at least once in every six years;
- rotating the External Audit partner in charge of audit every 3 years; and maintaining a cooling off period of 3 years before the same firm is re-appointed as External Auditor;
- assessing the overall quality of the External Auditor annually;
- approving non-audit services policy (both approved and prohibited services) rendered by the external auditor and establishing the requirement of such arrangements to ensure the External Auditor remains independent and objective;
- considering that the external auditors are not rendering the non-audit prohibited services under Federal Law 12 of 2014, Code of Ethics for Professional Accountants issued by International Ethics Standard Board for Accountants and Article 11 of Financial Reporting and External Audit Standards and the Central Bank's Financial Reporting and External Audit Regulation and Standards
- reviewing and approving the External Auditor engagement terms and ensure that engagement plan has complied to Central Bank's regulations and standards;
- holding meetings with the External Auditor, in the absence of Senior Management, at regular intervals and discuss on resolving the issues that arose in the course of the external audit;
- holding discussions with the External Auditor on matters of accounting impairments, regulatory capital, regulatory disclosures, consistency of the Bank's prudent information, 3 pillar reporting structure and annual report;
- reviewing the observations provided by the External Auditor on difficulties encountered during the audit; risk of material misstatement in the financial statements; loan loss provisioning, effects of regulatory ratios, earnings and capital; assistance on external experts; External Auditor's approach to internal controls and deficiencies; qualitative and quantitative aspects of the financial disclosures;
- reviewing and approving the External Auditor's report on the Banks quality control procedures;
- considering the opinions of Senior Management, management and Internal Audit;
- presenting its conclusions with respect to the External Auditor to the Board;
- reviewing and evaluating the lead audit partner of the External Auditor; and
- considering whether the External Auditor followed the audit plan and assess the external audit planning process; and
- considering the performance of the External Auditor annually.

External Auditor

In its Annual General Assembly meeting for year 2023, Mashreq's shareholders approved the appointment of Deloitte & Touche (M.E) as the Bank's External Auditor for year 2023. Deloitte has served as the Bank's External Auditor for one year. The External Audit Partner is Musa Al Ramahi who has been in the role since February 2023.

The Board Audit Committee (BAC), in addition to its mentioned responsibilities, oversees and approves the external audit approach, assessing factors such as independence, appointment or re-appointment, terms of engagement, and rotation of the auditing firm and/or partner.

The BAC reviews the proposed audit scope and approach, communicating regularly with the external audit team throughout the year to discuss reporting, audit findings, accounting changes, and other pertinent business matters. The BAC assesses the performance, independence, and quality of the external auditor on an annual basis, and considers regulatory conditions and thresholds related to independence, and rotation of the audit firm.

External Auditor Details

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Deloitte & Touche (M.E.) LLP (DME) is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP ("NSE"), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL") DME is a leader in professional services with uninterrupted presence in the Middle East since 1926 with 26 offices in 15 countries and around 5,900 partners, directors and staff.

External Auditor's Fees

The fees paid to the Group's external auditor for providing their services during 2023, were as follows:

Fees	(AED)
Audit fees for Mashreq Consolidated Financial Statements	1,130,000
Other fees	840,000

Other Services

- Agreed upon procedures in respect of the XBRL filing requirements

  The XBRL reports for Mashreq is where the auditors are engaged for the agreed upon procedure report with submission of consolidated financial information to Securities and Commodity Authority (SCA). This basically includes the financial information (complete financial statement including notes) on a quarterly and annual basis.

- Long form report for overseas branches of the Bank as required by Central Bank of UAE

  Long form audit report is in connection with the Banking Supervision Department ("BSD") Guidelines for banks issued by the Central Bank of the UAE in March 2021 wherein the auditors are required to submit a report on various procedures of the overseas branches which covers mainly liquidity, FX risk, Liquidity risk, Credit risk , Interest rate risk , Regulatory compliance risk ,Financial crime risk , Anti money laundry etc . In 2023, Egypt, New York and Bahrain were scoped.

External Auditor Reservations

The external auditor's report did not provide any qualified opinion regarding the interim or annual financial statements for the year 2023.

Board Nomination & Compensation Committee (BNCC)

Committee Composition as of 31st Dec 2023

Saeed Al Ghurair (Chairman)

Rashid Al Jarwan (Member)

Ali Lootah (Member)

BNCC Meetings in 2023:

Date of BNCC Meeting	Number of Attendees	Absent Members
19 Jan 2023	2/3	Ali Lootah
27 Feb 2023	3/3	-
5 July 2023	2/3	Ali Lootah
26 Sept 2023	3/3	-
6 Dec 2023	2/3	Ali Lootah

"The Committee is responsible for overseeing the composition and succession planning for the Board and Senior Management, and ensuring the remuneration framework is aligned with the Bank's risk appetite, strategy, culture, values, and regulatory requirements."

Statement from the Chairman of the Board Nomination & Compensation Committee

"Dear Shareholders,

I am pleased to present the Board Nomination & Compensation Committee Report for the year ending 2023.

The purpose of the Nomination and Compensation Committee is to assist Mashreq's Board of Directors in fulfilling its oversight responsibilities by:

- ensuring that there is an adequate composition of the Board, Senior Management and Staff, according to the Fit and Proper Process, for ongoing suitability and functioning of the Bank operations and risk capacity to meet the strategic plan and business objectives;
- ensuring plans are in place for orderly succession to both the Board and Senior Management and other key positions identified;
- evaluating the performance on the Board, its Committees, and the Chief Executive Officer annually; and
- satisfying itself that the remuneration and compensation framework is in line with the risk appetite, business strategy plan, the corporate objectives, culture and values, and long-term interests of the Bank as well as in compliance with laws and standards issued by the Central Bank and other competent authorities.

The Committee met 5 times during the year fulfilling its responsibilities outlined in its charters. The Committee had concentrated on Mashreq's Emiratization strategy, ensuring effective development of UAE national talent. KPI's were developed to evaluate the efficacy of the Bank's remuneration and benefits schemes aligned with Mashreq's strategy, objectives, culture, values, and risk appetite.

The Committee has assessed remuneration practices for the Bank and subsidiaries against market practices and CB regulations.

Various topics were discussed, reviewed, and approved not limited to the below:

- Compensation Updates
- Independent Board Evaluation Results
- People and Intellectual Capital Group Updates
- Board Committees Composition review
- Updates to the Board Nomination and Compensation Committee Charters"

Saeed Al Ghurair

Chairman of the Board Nomination & Compensation Committee

Board Risk Compliance and ESG Committee (BRCESGC)

Committee Composition as of 31st Dec 2023



Rashid Al Jarwan (Independent Chairman)

Rashed Al Ghurair (Member)

John Iossifidis (Member)

BRCESGC Meetings in 2023:

During 2023, the Committee had a 100% attendance with no absences.

Date of BRCEGSC Meeting	Number of Attendees	Absent Members
9 March 2023	3/3	-
15 June 2023	3/3	-
7 Sept 2023	3/3	-
2 Oct 2023	3/3	-
18 Dec 2023	3/3	-

"The Committee is responsible for exercising oversight of key risk and compliance matters, in addition to emerging ESG matters, and making recommendations to the Board on the compliance status , and the risk appetite framework of the Group."

Statement from the Chairman of the Board Risk Compliance and ESG Committee

"Dear Shareholders,

I am pleased to present the Board Risk, Compliance and ESG Committee Report for the year ending 2023.

During 2023, the Board resolved to change the Committee's name to include oversight over Compliance, and ESG activities and initiatives for the Group.

The BRCESGC has overall non-executive responsibility for the oversight of risk-related matters and the risks impacting the Group. The Committee's key responsibilities include:

- to review, on behalf of the board, the management of the Risk Management of the Bank and its principal risks;
- to review and approve, on behalf of the Board, the Bank's risk appetite statement and in doing so, satisfy itself that the risk appetite is aligned to the Group's strategy and sustained business objectives in line with the Bank's [3-5] year strategic plan;
- to make recommendations as it may deem necessary on any Risk Management related matters including but not limited to Bank's risk appetite, risk tolerance and risk capacity;
- to commission, receive and consider reports on key risk issues;
- review and approve the compliance reports on a quarterly basis;
- to safeguard the independence of, and oversee the performance of, risk functions;
- to approve the stress test framework, ICAAP and other policies and procedures as recommended by the ERC; and
- consider any risks associated with large exposures and the limits set out in the Large Exposures Regulation issued by the Central Bank related to failures of single counterparty or group of connected counterparties.

The Committee met 5 times during the year. Various topics were discussed, reviewed, and approved not limited to the below:

- ESG Updates
- Sustainability Updates
- Risk Management Framework
- Interest Rate Risk in Banking Book (IRRBB)
- Climate Risk Updates
- Compliance Updates
- ICAAP Updates
- IFRS9 Governance Framework
- Operational Risk Profile and Business Continuity Risk Profile
- Capital Adequacy under stress scenarios
- CB UAE Stress Testing Results
- Group Wide Risk Appetite Framework and updates
- Market Risk Profiles
- Model Risk Management Update
- Fraud Risk Profiles
- Information Security Risk Profiles
- Enterprise Risk Profiles

Furthermore, the Committee have reviewed and approved the amendments made to the Wholesale Credit Policy Manual, Operational Risk Management Framework, Market and Traded Credit Risk Framework, Pillar 3 Policy, ICAAP Policy, Cross Border and Transfer Risk Policy, Strategic Risk Management Framework, Policy on Managing Risk policy Documents, and Model Risk Management Policy.

The Committee was also briefed by the Group Chief Risk Officer on emerging risks, liquidity metrics, and regulatory activities."

Rashid Al Jarwan

Chairman of the Board Risk Compliance and ESG Committee

Board Credit Committee (BCC)

Committee Composition as of 31st Dec 2023

Ali Lootah (Independent Chairman)

Rashid Al Jarwan (Member)

Iyad Malas (Member)

BCC Meetings in 2023:

During 2023, the Committee had a 100% attendance with no absences.

Date of BCC Meeting	Number of Attendees	Absent Members
14 Mar 2023	3/3	-
5 Sep 2023	3/3	-
5 Dec 2023	3/3	-

"The Committee is responsible for establishing policies, procedures and processes to set out the extension of credit, credit limits and investment guidelines for the Bank and the Group."

Statement from the Chairman of the Board Credit Committee

"Dear Shareholders,

I am pleased to present the Board Credit Committee Report for the year ending 2023.

The Committee is responsible for establishing policies, procedures and processes to set out the extension of credit, credit limits and investment guidelines for the Bank and the Group as delegated to them by the Board.

The Committee shall ensure that:

- appropriate administrative and accounting procedures and internal control systems are in place to identify and manage large exposures.
- all credit commitments of the Bank that are in excess of the limits contained in the Executive Management Committee charters, up to such level per commitment as requires the approval of the full Board pursuant to the Central Bank's regulations on large exposure limits (as amended or updated from time to time).
- credits and investments are aligned with the Bank's strategy and business objectives; taking into consideration the risk appetite, risk tolerance, risk capacity and overall aggregate risk exposure to the Bank and Group.
- any credit or investments which are Islamic financial products and services are referred to the Internal Shari'ah Supervisory Committee (ISSC) for approval as compliant before entering into such arrangements.
- non-performing loans and bad debt are dealt with in a timely manner and in accordance with the Bank's policies.
- proper tracking and analysis of trends of defaulters and providing proactive monitoring of highly exposed sectors or clients and raise these to the Board as appropriate.
- credit authority is granted to balance the risk versus returns and consumer rights and satisfaction.
- only qualified employees are granted authority to make credit or investment decisions, which shall be set out in a formal delegation of authority or as prescribed by the policies of the Bank, this Charter or the Board.
- the overall performance of credit and investments for products, instruments and facilities and the risk strategy and long-term objectives of the Bank and wider Group are reviewed.
- Review and approve recommendations for loan write-offs, settlements, and waivers and review the performance of products, non-performing loans and other instruments are reviewed and approved and policies to establish bad debt recoveries, settlements, waivers, and write-offs limits and procedures are set.
- management committees are set up to manage credit and investments in line with any delegated powers to them from this Committee.

The Committee met 3 times during the year fulfilling its responsibilities outlined in its charters. Various topics were discussed, reviewed, and approved not limited to the below:

- High exposure countries Updates
- Credit Facilities for Approval/Ratification
- Egypt Country Review
- Exit impact assessment (High risk countries)"

Ali Rashid Lootah

Chairman of the Board Credit Committee

Board Sub-Committee for Profit Equalization Reserves Monitoring

Committee Composition as of 31st Dec 2023

Rashid Al Jarwan (Independent Chairman)	Iyad Malas (Member)	Abdulrahman Al Hammadi (ISSC Member)

Board Sub-Committee for Profit Equalization Reserves Monitoring Meetings in 2023:

During 2023, the Committee had a 100% attendance with no absences.

Date of BCC Meeting	Number of Attendees	Absent Members
17 Jan 2023	3/3	-
7 Sep 2023	3/3	-

"The Committee is responsible for overseeing the management, allocation, and utilization of reserves to ensure adequate and prudent profit equalization in line with the HSA and ISSC resolutions."

Statement from the Chairman of the Board Sub-Committee Profit Equalization Reserves Monitoring

"Dear Shareholders,

I am pleased to present the Board Sub-Committee for Profit Equalization Reserves Monitoring Report for the year ending 2023.

The purpose of the Board Sub-Committee for Profit Equalization Reserves Monitoring is to assist Mashreq's Board in fulfilling its oversight responsibilities over:

- the financing and investment activities undertaken by the Islamic Banking (IB) using Investment Account Holders (IAH)'s funds
- the fiduciary duties performed by the IB, which must be in accordance with the terms and conditions of the Mudarabah and Wakala contracts between the IB and its IAH
- the level of reserve allocation, ensuring that it is appropriate and fair to both existing and new IAHs
- the evaluation of the disclosures made by the IB regarding its asset allocation and investment strategies in respect of IAH, to monitor closely the performance of IB as managers of such accounts

The Sub-Committee met 2 times during the year fulfilling its responsibilities outlined in its charters. Various topics were discussed, reviewed, and approved not limited to the below:

- financing and investment activities undertaken by Mashreq Al Islami, using Investment Account Holders funds
- approval of the level of reserve allocation of the overall profit
- investment of existing Investment Risk Reserves (IRR) into the existing Mudaraba Pool
- tolerance Levels for Displaced Commercial Risk (DCR) Management.
- the IRR Policy
- disclosures to be made by the Islamic Banking regarding its asset allocation and investment strategies in respect of Investment Account Holders, in its Annual Financial Statements.

In December 2023, the Board of Directors approved merging the responsibilities for Profit Equalization Reserves Monitoring and to be within the Board Audit Committee and amending the charters to reflect this change."

Rashid Al Jarwan

Chairman of the Board Sub-Committee for Profit Equalization Reserves Monitoring

Senior Management

Senior Management

Senior management, which includes the Group Executive Committee, supports the Group Chief Executive in the day-to-day management of the business and the implementation of strategy.

Ahmed Abdelaal

Group Chief Executive Officer

Ahmed Abdelaal was appointed as Group CEO in 14th October 2019. He is an accomplished banking professional with over 30 years of experience in progressively senior roles across banking verticals spanning international and regional banks covering major global markets.

Ahmed has gained extensive experience and exceptional financial acumen across banking products, covering a wide range of disciplines and incorporating hands-on knowledge of solutions in the areas of Corporate and Banking, including trade finance, contracting and real estate finance, payment and cash management.

Investment Banking, including Debt Capital Markets, Equity Capital Markets, Project Finance, and advisory. As well as Islamic banking, Retail Banking, portfolio management, in addition to full familiarity with global markets products, structured trade, and supply chain solutions.

He is an alumnus of both London Business School and Harvard Business School. He holds an MBA from London Business School, University of London, UK. He is also a Harvard AMP graduate and holds a BA in Economics and Political Sciences (Major Economics) from the Faculty of Economics and Political Sciences, Cairo University Egypt.

Norman Tambach
Group Chief Financial Officer

Norman Tambach was appointed as the Group Chief Financial Officer in 4th September 2023.

Norman was a partner at KPMG and held executive positions within ING. He brings a wealth of expertise encompassing an array of critical domains including strategic financial engineering, M&A, financial operations, regulatory governance, risk management, capital management and corporate tax planning.

Norman holds a Master of Science in Accountancy from the Nyenrode Business University in the Netherlands and is a Certified Public Accountant.

Joel D Van Dusen
Group Head of Corporate and Investment Banking

Joel D Van Dusen was appointed as the Group Head of Corporate and Investment Banking in 1st March 2020.

Joel held several senior corporate and investment banking roles, most recently as Global Head of Large Corporates, CMB at HSBC, where he was also a member of the Global CMB Executive Committee.

Joel holds a BA in economics from Cornell University, and read philosophy, politics and economics at the University of Oxford.

Hammad Naqvi
Group Head of Treasury and Capital Markets

Hammad Naqvi was appointed as the Group Head of Treasury and Capital Markets in 16th June 2019. Prior to joining Mashreq in 1996, he was Head of Treasury with Bank of America, Pakistan and he was also posted as Treasurer of Bank of America, Poland. He has also spent 2 years in the merchant banking division of ANZ Grindlays in Pakistan.

Hammad holds an MBA from the IBA, University of Karachi.

Anuratna Chadha
Group Chief Risk Officer

Anuratna Chadha was appointed as the Group Chief Risk Officer in 24th March 2019. He has over 30 years' banking experience in risk management, wholesale and corporate banking across Singapore, Japan, India and South Africa.

Anuratna holds an MBA from Indian Institute of Management, Ahmedabad and Bachelor's degree in Commerce from Shri Ram College of Commerce, Delhi.

Tarek El Nahas
Group Head of International Banking

Tarek El Nahas was appointed in 19th January 2020. He has more than 25 years at Citibank, most recently as the Head of Corporate and Investment Banking for North Africa, Egypt and Levant, managing teams across 6 countries in the MENA region.

Tarek holds a Bachelor in Economics and Political Science from the American University in Cairo and a MSc in economics from the London School of Economics.

Fernando Morillo
Group Head of Retail Banking

Fernando Morillo was appointed as the Group Head of Retail Banking in 12th July 2021. Fernando brings 30 years of experience in the financial sector, he is experienced in Retail, Digital and Commercial banking across multiple segments including Private, Affluent, Emerging Affluent, Mass, SMEs and Middle market. He also specializes in Digital, CRM, Analytics, Marketing, and Distribution.

Fernando is a holder of a General Management Program (G.M.P.) degree from Harvard Business School, and MBA from Instituto De Empresa – Madrid, as well as a B.S. in Aeronautical Engineering (Specializing in Aircraft and Spacecraft design) from Universidad Politécnica De Madrid.

Roy Philip Sebastian
Group Chief Credit Officer

Roy Philip Sebastian was appointed as the Group Chief Credit Officer in 5th March 2019. He has over 30 years' experience across both Corporate banking and Credit Risk Management; Spent over 21 years in HSBC Group in the Middle East, with last held position as Regional Head of Credit Approval, Wholesale Credit MENAT.

Roy holds a Master's Degree in Commerce and Certified Associate of Indian Institute of Bankers (CAIIB).

Mark Edwards
Group Head of Operations

Mark Edwards was appointed as the Group Head of Operations in 18th March 2020. He has over 25 years of experience in business operations and banking veteran with international and regional experience across banking operations, shared services, business transformation, project management and corporate integration.

Mark holds a Business Management graduate from the University of Stirling (UK) and an Executive Management Programme from INSEAD (France and Singapore).

Scott Ramsay
Group Head of Compliance and Bank Money Laundering Reporting Officer (MLRO)

Scott Ramsay was appointed as the Group Head of Compliance and Bank Money Laundering Reporting Officer (MLRO) in 28th June 2020. He has over 15 years of banking and senior management experience, with an extensive background in areas of compliance, financial crimes, and anti-money laundering amongst others.

Scott holds a Master of Laws from Victoria University of Wellington in New Zealand.

Hamda Al Shamali
Chief People and Intellectual Capital Officer

Hamda Al Shamali was appointed as the Chief People and Intellectual Capital Officer in 17th October 2022. She is a seasoned senior Emirati human resources professional with a strong track record spanning more than 20 years of accomplishments with leading local and international organizations.

Hamda holds a Bachelor's degree of Applied Science in Business Administration from Higher Colleges of Technology Dubai.

Mohamed Abdel Razek
Group Head of Technology

Mohamed Abdel Razek was appointed as the Group Head of Technology in 1st May 2023. He is a seasoned technology professional with around 30 years of experience, having led Group and Regional Technology functions in large corporations.

Mohamed holds a degree in Electrical Engineering from McGill University in Canada.

Rania Nerhal
Chief Client Experience and Conduct Officer

Rania Nerhal was appointed as the Chief Client Experience and Conduct Officer in 1st September 2020. Rania has more than 25 years of experience in client relationship management in the banking industry. Before joining Mashreq, she has held executive management roles such as Head of Client Corporate Coverage and Head of Large Corporates and Public Sector at HSBC, Egyptian American Bank, Commercial Bank of Dubai, and Al Ahli Bank of Kuwait.

Rania holds a Bachelor's degree in Economics – Faculty of Commerce and Foreign Trade, Cairo, Egypt.

Muna Al Ghurair
Group Head of Marketing and Corporate Communications

Muna Al Ghurair was appointed as the Group Head of Marketing and Corporate Communications in 22nd August 2022. She has over 20 years of experience in communications, marketing, sales and business development with an outstanding track record with leading payments and financial institutions in the region.

Muna holds a diploma in marketing from the UAE Polytechnic University.

Hassan Ali
Acting Group Head of Internal Audit

Hassan Ali was appointed as the Acting Group Head of Internal Audit in 10th July 2023. Hassan brings with him nearly 20 years of experience from his previous roles at Dubai Islamic Bank, where he served as Vice President - Head of Investments and Treasury Audit, and Noor Bank, where he held multiple positions.

Hassan holds a Master's degree in International Business from the University of Wollongong in Dubai and a Bachelor of Applied Science in Business and Management (Accounting) with Honors from the Higher Colleges of Technology.

Bassam Moussa
Group General Counsel

Bassam Moussa was appointed as the Group General Counsel in 1st August 2023. Bassam carries an impressive record in the banking and finance sector, showcasing his extensive expertise in energy projects, corporate commercial, M&A, real estate, governance, and intelligent management of disputes and litigation.

Bassam Holds an LL.M. in International and Comparative Law from the Robert H. McKinney School of Law, Indiana, USA, and has completed postgraduate courses in International Finance Law from the University of London, UK. His credentials are further bolstered by LMA Loan Documentation Training that he completed in London in 2014.

Faisal Al Shimmari
Head of ESG and Corporate Strategy

Faisal Al Shimmari was appointed as the Head of ESG and Corporate Strategy in 16th August 2023. He is a seasoned Emirati leader with an illustrious 29-year career, is the Head of ESG and Corporate Strategy at Mashreq. In this capacity, Faisal wields his extensive expertise to steer Mashreq towards a future marked by sustainable growth and adherence to the highest standards of Environmental, Social, and Governance (ESG) principles.

Faisal has two master's degrees, four graduate diplomas, and a Gold Commander diploma from the Emergency Planning College (EPC) in the United Kingdom.

Nasser A. Paracha*
Group Head of Internal Audit and Advisor to the Acting group Head of Internal Audit Group

Nasser A. Paracha was appointed as the Head of Internal Audit Group in 1st January 2014. Nasser has an overall banking experience of c.30 years, covering Corporate Banking, Internal Audit and Compliance.

Nasser holds a BSc from the University of Leeds and completed a General Management Program from HBS.

Ali Raza Khan*
Group Head of Corporate Affairs

Ali Raza Khan joined Mashreq in 1980 and was appointed as Group Head of Corporate Affairs in 1st November 1997. Ali was responsible for Finance and Administrative functions in the Bank.

Ali is a Member of the Institute of Chartered Accountants of India.

Last working day was 31st December 2023

EXCO Responsibility and Other Management Committees

The Corporate Governance structure of the Bank ensures that there is a clear division of responsibilities between the Board and the Bank's Senior Management. Senior Management is responsible for running the operations of the Bank and there are various management committees which have been established by the Board and have delegated authority to manage the Bank's affairs on a day-to-day basis.

Each committee operates under a formal charter which describe the committee's responsibilities in discharging its duties. The Management Committee's respective charters are reviewed on a regular basis.

The purpose of the Executive Committee is to provide advisory and execution support to the Group Chief Executive Officer and the Board on all organizational priorities including but not limited to the following:

- Mashreq's Values, Vision and Mission – including understanding and adherence across the Bank and thereby for upholding the integrity, brand and reputation of the Bank
- Strategic direction and business plans supported by research and analysis to inform macro decisions related to investment, divestment, risks, opportunities and challenges
- Oversight on day-to-day implementation of the Bank's strategic plans, policies, and governance framework consistent with its vision, mission and values – including KPIs and performance vs targets for all business groups and enabling units
- Unified leadership for proactive, timely and collaborated decision making and action on all key areas of business relevance including but not limited to brand, people, customers, profitability, risk management and corporate governance

Mashreq's Management Committees

Committee	Meetings held in 2023	Responsibility of the Committee
Executive Committee (EXCO)	11	The EXCO is the most senior management committee. It oversees all of Mashreq's businesses and operations.
Assets and Liabilities Committee (ALCO) and Islamic ALCO	11	The primary objective of ALCO will be to manage the liquidity of the Bank ensuring that it pays its obligations in a timely manner and to manage interest rate risk for the bank. Islamic ALCO is focused on Islamic division of the bank and Shariah aspects with same objectives of the Group ALCO.
Investment Committee (IC)	4	IC's primary objective is formulating strategies, policies, and limits within which investments of the Bank are to be executed and approving bank-wide investment in securities in the UAE and all International Banking Group ("IBG") locations in addition to Investment Policies. Furthermore, periodically reviewing and monitoring the performance of the Bank's investment portfolios.
Compliance Risk Management Committee (CRMC)	10	The CRMC assists in the fulfilment of oversight responsibilities by the Bank's Senior Management for monitoring of regulatory compliance, including anti-money laundering matters, terrorism finance issues, Know Your Customer matters, sanction matters and Anti-bribery and corruption considerations (excluding fraud risk) also include consideration of reputational risks linked to Mashreq customers, jurisdictions in which Mashreq operates as well as products and services offered.
Enterprise Risk Committee (ERC)	5	The ERC is responsible for formulating the bank wide approach to risk management and to communicate the approach across the Bank. The Committee will have the mandate to develop and recommend the overall risk strategy, risk governance framework and Risk Appetite Statement (RAS) to the Board Risk Compliance and ESG Committee for approval. The Committee, on behalf of the Board Risk Compliance and ESG Committee, will monitor to ensure that the Bank operates within the established risk governance framework, risk appetite and risk limits.
Sustainability Executive Committee (SEC)	1	The SEC was set up in late Q3 2023 and the main purpose of this Committee is to support Mashreq's ongoing commitment to Sustainability and sustainability linked finance initiatives. This includes but is not limited to Environmental, Social and Corporate Governance ("ESG") responsibilities, as relevant to the Group.
Technology Steering Committee (TSC)	4	The TSC is the most senior management committee which provides governance and oversight over Mashreq's technology strategy and execution.
Information Security Committee (ISC)	4	The ISC is the highest-level committee that governs information security across the whole bank.

Delegation of Authority

Mashreq's Senior Management operates with a transparent delegation of authority, encompassing administrative, financial, and operational matters, guided by well-defined policies and manuals. This delegation of authority is judiciously provided, considering factors such as experience, performance, track record, and individual roles within the organization.

To ensure accountability, the Bank conducts internal audits and reviews in order to identify any potential misuse of authority or instances of negligence. To the extent that any issues are identified, the level of escalation is based on the severity of such issue(s) with significant matters brought to the attention of the Board of Directors.

> *Designed to support our strategic business objectives by promoting effective risk management, enhancing employee motivation, and encouraging better performance*

Employee Remuneration and Reward Scheme

Mashreq's remuneration policy is based on the principles of competitiveness, equitability, and pay for performance. It is designed to support our strategic business objectives by promoting effective risk management, enhancing employee motivation, and encouraging better performance. We follow a 'Pay for Performance' approach that is backed by our incentive-based performance management systems. We also review our compensation packages annually across all countries of operation to ensure they are abreast with the current respective market pay practices. Our judiciously structured Variable Pay Program ranges from product-specific incentive schemes for our sales force to long-term incentive plans for our senior management. There is also a bonus-based system in place for our non-incentivized employees. Our reward framework avoids excessive risk through clawback mechanisms – rewarding employees who embrace Mashreq values and encouraging ethical behaviour while ensuring that the interests of our customers, employees, and shareholders are aligned.

Total salaries and benefits for the Bank's Senior Management during 2023 was AED 76 million.

Stakeholder Engagement and Investor Relations

Investor Relations and Disclosure

Mashreq is dedicated to maintaining high standards of transparency and regularly enhancing its disclosures to provide timely and comprehensive information to its stakeholders and investors.

During 2023, Mashreq has demonstrated high standards of transparency with timely disclosures and communication to all stakeholders through various channels. It has also ensured that all employees were kept informed of all relevant matters including risk management policies and procedures, values, long-term strategic objectives, and financial performance.

Further details on Mashreq's announcements to the Dubai Financial Market (DFM) in 2023 can be found on the Investor Relations section on the Mashreq's website or the DFM website under news and disclosures.

Investor relations contact details:

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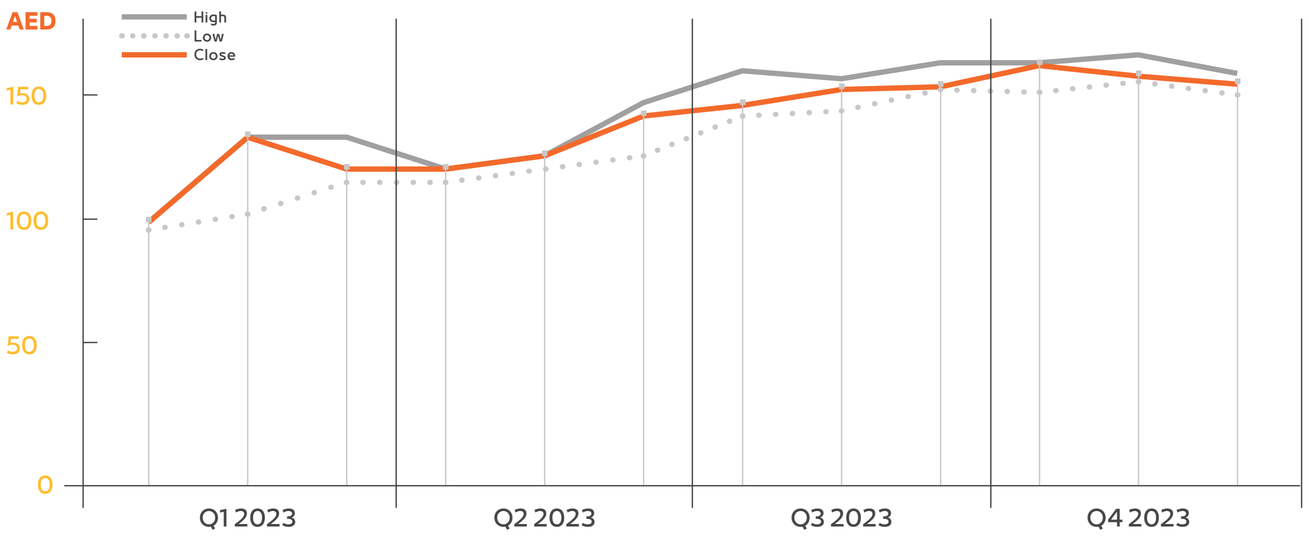
Share Price Performance and Trading Volume

Mashreq's share price performance for year 2023:



Statement of Mashreq's share price in the market (closing price, highest price and lowest price) at the end of each month during the fiscal year 2023:

(AED)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High	100	132	132	120	125	145	157.5	154	160	160	163	156
Low	97	103	115	115	120	125	140	142.5	150	149	153	148
Close	100	132	120	120	125	140	144	150	151	159	155	152

Statement of the Mashreq's comparative performance with the DFM index during 2023:

	Dec 2023 close	Dec 2022 close	% Change
Mashreq	152	97.5	56%
DFM	4059.8	3336.0	22%
MSCI EM Banks	1023.7	956.3	7%

Shareholder Ownership Structure

Statement of the shareholders' ownership distribution as at 31 December 2023 (individuals, companies, governments) classified as follows: Local, Gulf, Arab and Foreign:

% of owned shares				
Shareholder classification	Individuals	Companies	Government	Total
Local	3.7%	94.13%	N/A	97.83%
Arab	0.03%	0		0.04%
Foreign	0.78%	1.38%		2.16%
Total	4.51%	95.52%		100%

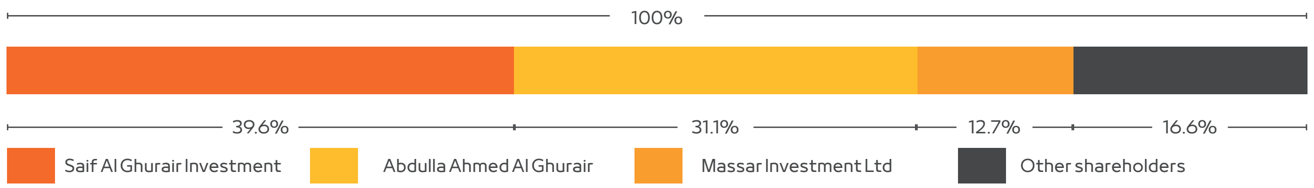
Note: Arab countries include Kuwait, Bahrain, Saudi Arabia, Oman, Qatar, Lebanon, Syria and Egypt

Statement of how shareholders are distributed according to the volume of property as on 31/12/2023:

Share(s) ownership	Number of shareholders	Number of owned shares	% of owned shares of Mashreq's capital
Less than 50,000	148	873,748	0.43%
From 50,000 to less than 500,000	29	5,929,385	2.96%
From 500,000 to less than 5,000,000	7	12,109,947	6.04%
More than 5,000,000	6	181,696,750	90.5%

The following represents shareholders owning 5% or more of Mashreq's capital as at 31 December 2023:

Name of shareholder	Number of owned shares	% of owned shares of the company's capital
Saif Al Ghurair Investment Group Company LLC	79,405,790	39.6%
Abdulla Ahmed Al Ghurair Investment Company LLC	62,389,304	31.1%
Massar Investment Limited Company	25,574,961	12.7%



Rise every day

General Assembly Meetings

Mashreq's General Assembly meetings (GAM's) enables its shareholders to engage in a hybrid meeting method and provides them with the opportunity to fully exercise their rights to attend and participate in real time discussions. They are primarily held to allow shareholders with voting rights to vote on the Bank's high-level issues. GAM's are convened through an invitation by the Board of Directors, within four months following the end of the fiscal year. Furthermore, shareholders who do not wish to attend the meeting in person may vote by proxy.

The GAM is also attended by a representative of the Bank's regulator, the Securities and Commodities Authority (SCA) and the Bank's external auditors.

The GAM's held in 2023 were chaired by the Chairman of the Board. The Group Company Secretary was appointed as the rapporteur for those meetings. The GAM resolutions and results are disclosed to the Dubai Financial Market, and signed minutes are provided to the Securities and Commodities Authority. Results and resolutions are also announced on the Bank's website.

During 2023, Mashreq held the following General Assembly meetings:

General Assembly meeting	Date	Meeting Method	Special Resolution(s)	Attendance
Annual General Assembly	22nd February 2023	Hybrid	• Amend the Bank's Articles of Association	90.8%
General Assembly Meeting	19th December 2023	Hybrid	• establish a U.S.$2,500,000,000 Shari'ah compliant Sukuk issuance funding programme • issue new and additional regulatory capital securities that qualify as Tier 1 capital for and an amount up to U.S.$500,000,000 (or as limited by the Central Bank of the UAE) for the purposes of strengthening the Bank's capital adequacy ratio	87.6%

Shari'ah Governance

Shari'ah Governance

Islamic Banking Governance Framework and Internal Shari'ah Supervision Committee (ISSC) Membership

Mashreq offers a wide range of Islamic Banking products and services via its Islamic Window branded as "Mashreq Al Islami" to its Retail, Wholesale, and Treasury clients.

The Bank is regulated by the UAE Central Bank (the "CBUAE") and Higher Shariah Authority (HSA) of CBUAE. The Bank also complies with AAOIFI standards.

Islamic banking at the Bank is supervised by an independent ISSC that guides on Shari'ah related matters.

The Bank's Shari'ah Governance Framework is based on a 'three lines of defense' approach as set out in the standards and regulations issued by the CBUAE. While the business line acts as the first line of defense, an independent and separate Internal Shari'ah Controls Division acts as the second line of defense, and it implements and oversees the Shari'ah governance at the Bank in close coordination with the ISSC. A separate and independent Internal Shari'ah Audit Division represents the third line of defense, undertaking the Shari'ah audit of Islamic products and services offered by the Bank.

To ensure complete independence from the business, Heads of Internal Shari'ah Controls and Internal Shari'ah Audit report to the Board or its committees in relation to promotion, bonus, performance appraisal and removal.

The Bank maintains complete independence of its Islamic operations from its conventional operations in respect of a dedicated branch for Islamic banking and separate products codes and account classes for Islamic operations.

Some of the primary functions of the ISSC are as follows:

- Undertake the supervision of all businesses, activities, products, services, contracts, documents, and code of conduct of the Bank.
- Issue pronouncements and resolutions that are binding upon the Bank.
- Review and approve corrective measures, remediation, and preventive measures to avoid reoccurrence.
- Approve profit distribution management and annual financials.
- Issue an annual report stating the extent of adherence of the Institution to the requirements which is submitted to CBUAE and AGM.
- Monitor compliance with Islamic Shari'ah through the Internal Shari'ah Controls Division and the Internal Shari'ah Audit Division

A brief profile of the ISSC members is given below:

Sheikh Abdullah Bin Sulaiman Al Meneea
Chairman

Sheikh Abdullah Al Maneea is the founding Chairman of Mashreq's Shari'ah Board, established in 2006. His credentials include:

- Member of the Saudi Forum of Senior Sharia Scholars, a group that advises the government of the Kingdom of Saudi Arabia and its public on all issues relating to religion.
- Senior Judge in Saudi courts and the Chair at the court in the western region of KSA.
- Member - Shari'ah Board of the Global Research and the standard setting body AAOIFI.
- Serves on the Shari'ah Boards of numerous of financial institutions globally.

Dr. Ahcene Lahsasna
Executive Member

- Registered Shari'ah advisor at Bank Negara (Central Bank of Malaysia) and Securities Commission Malaysia
- Serves on the Shari'ah Boards of Standard Chartered Malaysia and Etiqa General Takaful Berhad Malaysia
- Authored more than 20 books on diverse topics and issues in Islamic finance
- PhD in Islamic Law and Islamic Jurisprudence from the International Islamic University, Malaysia

Prof. Dr. Mohammad Abdulrahim Sultan Alolama
Deputy Chairman

- Member of the Grand Islamic Scholars Body in Dubai
- Serves on the Shari'ah Boards of various financial institutions including Dubai Islamic Bank, Emirates Islamic Bank, National Bonds and Mawarid Finance Company
- Author of various books and articles on jurisprudential topics, particularly Islamic Banking
- PhD in Comparative Islamic Law from Umm Al Qura University, Makkah Al Mukarramah, Saudi Arabia

Dr. Mohamed Karrat
Member

- Double PhD: the 1st PhD in Comparative Jurisprudence and Western Philosophy from Al Qarawiyyin University, Morocco; 2nd PhD in Islamic Finance from Sidi Mohamed Ben Abdellah University, Morocco
- Member of Shariah Sub-Committee Member at AAOIFI, Bahrain, and the Saudi General Authority for Awqaf
- Author of 20+ Books/Research Papers on Islamic Jurisprudence and Islamic Finance

Dr. Abdulrahman Alhammadi
Member

- Director of Zakat Resources and Media Department at the UAE Zakat Fund
- Authored various research articles on jurisprudential topics
- PhD in Comparative Jurisprudence, Faculty of Graduate Studies - University of Sharjah, United Arab Emirates
- Excellence Expert Diploma - UAE Government Leaders Programme

Annual Report of the Internal Shari'ah Supervision Committee of Mashreq Al Islami (Islamic Window of Mashreqbank PSC)

Issued on: 19th January 2024

Shareholders of Mashreqbank PSC ("the Institution")

After greetings,

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

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

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

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

2. Shari'ah 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 Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shari'ah supervision of the Institution's activities by reviewing those activities, and monitoring them through the internal Shari'ah control division and the internal Shari'ah audit division, 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 04 meetings during the year 2023.

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, business charters, accounting standards, product structures, contracts, documentation, and other documentation submitted by the Institution to the ISSC for approval. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.

d) Supervision through the internal Shari'ah controls division and the internal Shari'ah audit division, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of random samples selected from executed transactions, and reviewing reports submitted in this regard. Providing guidance to relevant parties in the Institution – to rectify (where rectification was necessary) incidents cited in the reports prepared by the internal Shari'ah control division and the internal Shari'ah audit division – during the year, there were no such instances of non-compliance identified, and hence it was not required to set aside revenue from any transaction during the current year. The ISSC approved to collect an amount from delaying customers due to late payment and then to dispose it towards charitable purposes, and approved the entities eligible for receiving the charity amount.

e) Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.

f) A statement of Zakat amount due per share of the Institution.

g) Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah.

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

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 Shari'ah requirements.

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

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

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

Member's Name	Type of Membership	Signature
Dr. Abdulrahman Alhammadi	Member	
Dr. Mohamed Karrat	Member	
Dr. Ahcene Lahsasna	Executive Member	
Prof. Dr. Mohammad Abdulrahim Sultan Alolama	Deputy Chairman	
Sheikh Abdullah Bin Sulaiman Al Meneea	Chairman	

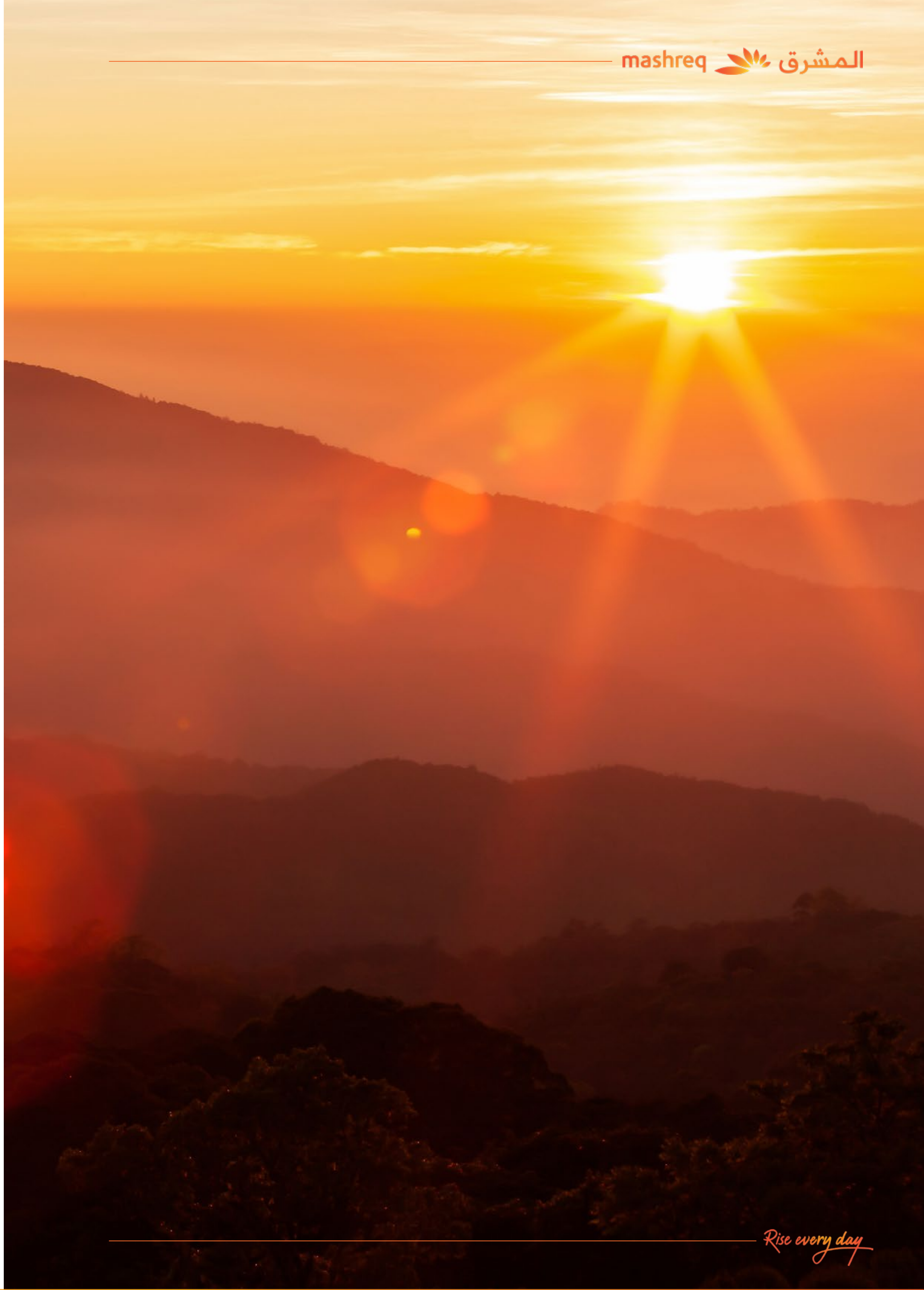
2023 Mashreq's Governance Report was signed off by the Chairman of the Board, the Chairman of the Board Audit Committee, the Chairman of the Nomination Compensation Committee and the Acting Group Head of Internal Audit.

H.E. Abdulaziz Al Ghurair
Chairman of the Board
of Directors

John Iossifidis
Chairman of the Board
Audit Committee

Saeed Al Ghurair
Chairman of the Board
Nomination Compensation
Committee

Hassan Ali
Acting Group Head
of Internal Audit



www.mashreq.com

Independent Assurance Statement to the management and stakeholders of MashreqBank PSC

Introduction

Utopiic Innovations Private Ltd ("UTOPIIC") was commissioned by Mashreq Bank PSC ("MASHREQ") to conduct an independent third-party assurance engagement in relation to the sustainability information in its Environmental, Social, and Governance (ESG) Report (the Sustainability report) for the year ended 31 December 2023. The Assurance engagement was conducted via Virtual meetings from 20th August - 24th August 2024.

UTOPIIC is an independent licensed provider of sustainability assurance services. The assurance team was led by Hardik Jhanb from UTOPIIC. Hardik is a Certified Sustainability Professional with more than 10 years' experience in Business strategy, value creation, LCA Calculations, sustainability performance measurement involving both advisory and assurance work. This assurance engagement is the second sustainability assurance engagement conducted for MASHREQ by UTOPIIC.

Assurance Standard Applied

This assurance engagement was performed in accordance with AccountAbility's AA1000AS v3 (2022) (AA1000AS) and was conducted to meet the AA1000AS Type II Moderate level requirements.

Respective responsibilities

MASHREQ

- MASHREQ is responsible for preparing their ESG report and for the collection and presentation of sustainability information within the report.

- MASHREQ is also responsible for maintaining adequate records and internal controls that support the reporting processes.

UTOPIIC

- UTOPIIC responsibility is to the management of MASHREQ alone and in accordance with the scope of work and terms of reference agreed with MASHREQ.

- UTOPIIC applies a strict independence policy and confirms its impartiality to MASHREQ in delivering the assurance engagement.

Assurance Scope

The scope of the subject matter for moderate assurance in accordance with the AA1000AS assurance standard, as detailed in the agreement with MASHREQ is set out below:

- Adherence to the AA1000AS (2018) AccountAbility principles of inclusivity, materiality, responsiveness and impact.
- MASHREQ's compliance with the principles contained within the Sustainability Report.
- The following selected disclosures relating to material ESG risks and opportunities for UAE Location as per DFM ESG Guide:

Environmental	Social	Governance
• E1. GHG Emissions	• S1. CEO Pay Ratio	• G1. Board Diversity
• E2. Emissions Intensity	• S2. Gender Pay Ratio	• G2. Board Independence
• E3. Energy Usage	• S3. Employee Turnover	• G3. Incentivised Pay
• E4. Energy Intensity	• S4. Gender Diversity	• G4. Collective Bargaining
• E5. Energy Mix	• S5. Temporary Worker Ratio	• G5. Supplier Code of Conduct
• E6. Water Usage	• S6. Non-Discrimination	• G6. Ethics & Anti-Corruption
• E7. Environmental Operations	• S7. Injury Rate	• G7. Data Privacy
• E8. Environmental Oversight	• S8. Global Health & Safety	• G8. Sustainability Reporting
• E9. Environmental Oversight	• S9. Child & Forced Labor	• G9. Disclosure Practices
• E10. Climate Risk Mitigation	• S10. Human Rights	• Others- Sustainable Finance
	• S11. Nationalisation	
	• S12. Community Investment	

The following assessment criteria were used in undertaking the work:

AA1000AS (ACCOUNTABILITY PRINCIPLES)	ESG. PRINCIPLES	MASHREQ'S INTERNAL REPORTING PROCEDURES
AA1000AS (2018) AccountAbility principles of inclusivity, materiality, responsiveness and impact	Sustainability Report on DFM ESG Reporting Guide.	The completeness, accuracy and validity of reported data

Assurance procedures performed Our assurance methodology included:

TESTING	INTERVIEW	INSPECTION	ASSESSMENT	REPORTING
Testing on a sample basis, the measurement, collection, aggregation, and reporting processes in place	**Virtual interviews** with relevant data owners to understand and test the processes in place for maintaining information in relation to the subject matters in the assurance scope	**Inspection and Collaboration** of supporting evidence received electronically to evaluate the data generation and reporting processes against the assurance criteria	**Assessing** the presentation of information relevant to the scope of work in the Sustainability report for consistency with the assurance observations	**Reporting** the assurance observations to management as they arose to provide an opportunity for corrective action prior to completion of the assurance process

Engagement limitations

UTOPIIC planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusions for a moderate level of assurance in accordance with AA1000AS.
The procedures performed in a moderate assurance engagement vary in nature from, and are less in extent, than for a high assurance engagement. As a result, the level of assurance obtained for a moderate assurance engagement is lower than for high assurance as per AA1000AS.

All assurance work conducted was done remotely via Virtual Meeting. Evidence to support information reported was obtained electronically for review and assessment to base our conclusion on. Readers of the ESG report are cautioned to understand this inherent limitation.

Assurance conclusion

In our opinion, based on the work undertaken for moderate assurance as described, we conclude that the subject matters in the scope of this assurance engagement have been prepared in accordance with the defined criteria and are free from material misstatements.

Assurance Statement

Key observations and recommendations for improvement

Based on the work set out above, and without affecting the assurance conclusion, the key observations and recommendations for improvement are set out below.

In relation to AA1000AP (2018)

Inclusivity: MASHREQ has a Sustainable philosophy which highlights the stakeholder engagement process and was developed by the MASHREQ's Sustainability Working Group("SWG"). The SWG takes into account key stakeholders and their concerns to develop and determine MASHREQ purpose and values which include to satisfy its stakeholders. The SWG ensures that platforms, systems, and processes are in place to familiarise the Board, employees, and other stakeholders with MASHREQ's ethical standards and business activities. The means of engagement have been identified, which points to inclusive stakeholder engagement and the acknowledgement of stakeholders' interests in MASHREQ.

Materiality: Evidence observed confirmed that MASHREQ has maintained due process in mapping and disclosing its material matters in a transparent and balanced manner. MASHREQ's Sustainability strategy assisted in the annual determination process of materiality and material themes, which was performed for the financial year 2023. MASHREQ's materiality determination process and material themes were approved by the Board. The Sustainability report presents material themes with a prioritised view of MASHREQ's material matters and explains why the identified issues are material. The Sustainability report also sets out stakeholder's key concerns and what MASHREQ's responses related to them are as well as what the key outcomes were.

Responsiveness: MASHREQ's responses to stakeholder issues observed across different stakeholder groups indicates a level of accountability to stakeholder issues raised. MASHREQ actively implemented its stakeholder engagement framework by way of developing a formal review process to monitor the implementation of stakeholder management response strategies, whereby the SWG is responsible for overseeing stakeholder interests and expectations. Continued implementation of the stakeholder engagement framework is recommended, with balanced levels of response to al stakeholder groups.

Impact: MASHREQ reports on a range of material environmental, social and governance topics based on its ongoing monitoring, measurement, and evaluation of its impacts; both qualitatively and quantitatively. MASHREO's shared value strategy aims to enhance the quality of outcomes from its interventions that will add value and offer quantifiable commercial, social, and economic returns.

In relation to the selected disclosures

It was observed that appropriate measures are in place to provide reliable source-data related to the selected disclosures assessed yet the efficiency of these processes could be improved by additional reviews, consistent and accurate interpretation of definitions and guidance on the implementation of internal controls. Data in consistencies were identified during the assurance process and were subsequently corrected. UTOPIIC is satisfied with the accuracy of the final data in the assurance scope.

A comprehensive management report detailing specific findings and recommendations for continued sustainability reporting improvement has been submitted to Mashreq's management for consideration.

Hardik Jhanb
Founder and CEO,
Utopiic Innovations Pvt Ltd

AA1000
Licensed Assurance Provider
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