United Arab Bank P.J.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2024

The audited Financial Statements are subject to approval by CBUAE and Shareholders at the Annual General Meeting

United Arab Bank P.J.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2024

Shape the future
with confidence

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INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF UNITED ARAB BANK P.J.S.C

Report on the audit of the financial statements

Opinion

We have audited the financial statements of United Arab Bank P.J.S.C (the “Bank”), which comprise the statement of financial position as at 31 December 2024, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Report on the audit of the financial statements (continued)

Key audit matter (continued)

Key audit matter	*How our audit addressed the key audit matter*
Expected credit losses ("ECL") for loans and advances and Islamic financing receivables Refer to note 7 of the financial statements. The balance of loss allowances on loans and advances and Islamic financing receivables represents management's best estimates, at the balance sheet date, of the expected credit losses under the expected credit loss models ("ECL Models") as stipulated by International Financial Reporting Standard No. 9: Financial Instruments ("IFRS 9"). Management first assesses whether the credit risk of loans and advances and Islamic financing receivables to customers has increased significantly since their initial recognition, and then applies a three-stage impairment model to calculate the ECL. For loans and advances and Islamic financing receivables classified in stage 1 (no significant increase in credit risk) and stage 2 (with significant increase in credit risk), loss allowances are assessed using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default, discount rates and various macro-economic variables as inputs. For loans and advances and Islamic financing receivables in stage 3 (default and credit-impaired), loss allowances are assessed by estimating the future discounted cash flows from the loans.	We performed the following audit procedures on the computation and reasonableness / appropriateness of the ECL included in the Bank's financial statements for the year ended 31 December 2024: • Obtained an understanding of management's assessment of impairment of loans and advances and Islamic financing receivables, the Bank's internal rating model, the Bank's credit impairment provision policy and the ECL modelling methodology. • We have performed process walkthroughs to identify the controls over the ECL process. We have tested the design and operational effectiveness of the relevant controls relating to the measurement of ECL. • Reviewed the reasonableness and appropriateness of the IFRS 9 methodology and assumptions used in various components of ECL modelling. This typically included challenging key assumptions/judgements relating to significant increase in credit risk, definition of default, probability of default, loss given default, recovery rates and discount rate. • For a sample of exposures, checked the appropriateness of the Bank's application of the staging criteria, including the basis for movement between stages.

Report on the audit of the financial statements (continued)

Key audit matter (continued)

Key audit matter	*How our audit addressed the key audit matter*
Management has also applied a significant level of judgement in the areas noted above in determining the impact of economic volatility on the allowances for expected credit losses by considering the forward looking information, including variables used in macro-economic scenarios and their associated weightings. We considered ECL for loans and advances and Islamic financing receivables as a key audit matter as the determination of ECL involves significant management judgement such as categorisation of loans and advances and Islamic financing receivables into stages 1,2 or 3, assumptions used in the ECL model such as expected future cash flows, macro-economic factors etc. These judgments have a material impact on the financial statements of the Bank.	• For forward-looking measurements, reviewed management's selection of economic indicators, scenarios and application of weightings; assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis. • For selected samples, we examined key data inputs into the ECL models. • We re-performed key elements of the ECL calculations and evaluated the model performance results for accuracy. • We reviewed for a sample of credit impaired loans, the adequacy of the Stage 3 loss allowance by reperformance of the discounted cash flows. • We performed an independent credit assessment for a sample of corporate customers, including Stage 3 customers, by assessing the quantitative and qualitative factors including assessment of financial performance of the customer, source of repayments and its history, discounted future cash flows of the borrower, credit risk mitigation through collateral and other relevant risk factors. • We assessed the appropriateness of disclosures in the financial statements against the requirements of IFRS.

Report on the audit of the financial statements (continued)

Other information

Management is responsible for the other information. Other information consists of the information included in the Bank's 2024 Annual Report, other than the financial statements and our auditor's report thereon.

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

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and applicable provisions of the Bank's Memorandum and Articles of Association and of the UAE Federal Decree Law No. (32) of 2021, Decretal Federal Law No. (14) of 2018 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

The management of the Bank are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Bank's 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 Bank'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

We communicate with the management 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, actions taken to eliminate threats or safeguards applied.

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Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 December 2024:

- the Bank has maintained proper books of accounts;
- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Bank's Memorandum and Articles of Association and the UAE Federal Decree Law No. (32) of 2021;
- the financial information included in the Director's report is consistent with the books of account and records of the Bank;
- investments in shares and stocks during the year ended 31 December 2024 are disclosed in note 8 to the financial statements;
- note 23 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened, during the financial year ended 31 December 2024, any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Memorandum and Articles of Association, which would materially affect its activities or its financial position as at 31 December 2024; and
- note 32 reflects the social contributions made during the year.

Report on other legal and regulatory requirements (continued)

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

For Ernst & Young

Anthony O'Sullivan
Registration No: 687

4 February 2025
Sharjah, United Arab Emirates

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	As at 31 December 2024 AED'000	2023 AED'000
Assets			
Cash and balances with UAE Central Bank	5	**2,225,224**	2,001,080
Due from banks, net	6	**585,146**	456,567
Loans and advances and Islamic financing receivables, net	7	**11,526,357**	9,357,293
Investments and Islamic instruments, net	8	**6,004,981**	5,089,861
Property, equipment and capital work-in-progress	9	**204,207**	181,351
Customer Acceptances		**422,990**	203,728
Other assets, net	10	**492,575**	357,968
TOTAL ASSETS		**21,461,480**	17,647,848
Liabilities and Equity			
Liabilities			
Due to banks	11	**3,596,354**	3,729,435
Customer deposits and Islamic customer deposits	12	**13,577,035**	10,237,502
Medium term borrowings	13	**734,600**	734,600
Customer Acceptances		**422,990**	203,728
Other liabilities	14	**579,016**	452,838
Total liabilities		**18,909,995**	15,358,103
Equity			
Share capital	15	**2,062,550**	2,062,550
Treasury Shares		**(3,008)**	(3,885)
Tier 1 Instrument	15	**550,875**	550,875
Special reserve	15	**78,118**	48,022
Statutory reserve	15	**107,042**	76,946
General reserve	15	**9,311**	9,311
Cumulative changes in fair values	15	**(98,231)**	(119,170)
Accumulated losses		**(155,172)**	(334,904)
Total equity		**2,551,485**	2,289,745
TOTAL LIABILITIES AND EQUITY		**21,461,480**	17,647,848

The financial statements were approved by the Board of Directors on 4 February 2025 and signed on its behalf by:

HH Sheikh Mohammed Bin Faisal Bin Sultan Al Qassimi
Chairman

Shirish Bhide
Chief Executive Officer

The attached notes 1 to 35 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 2 - 8.

STATEMENT OF INCOME

For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 AED'000	2023 AED'000
Interest income		**1,074,673**	845,256
Income from Islamic financing products		**117,867**	76,354
Total interest income and income from Islamic financing products	16	**1,192,540**	921,610
Interest expense		**(612,705)**	(447,597)
Distribution to Islamic depositors		**(113,280)**	(79,075)
Total interest expense and distribution to depositors	17	**(725,985)**	(526,672)
Net interest income and income from Islamic financing products net of distribution to depositors		**466,555**	394,938
Net fees and commission income	18	**90,760**	76,751
Foreign exchange income	19	**34,375**	27,822
Other operating income		**14,113**	76,948
Total operating income		**605,803**	576,459
Employee benefit expenses		**(204,647)**	(181,327)
Other operating expenses	20	**(91,150)**	(80,995)
Depreciation and amortization		**(22,061)**	(22,479)
Total operating expenses		**(317,858)**	(284,801)
Operating profit before impairment loss		**287,945**	291,658
Net impairment reversal/(loss)	21	**42,826**	(36,349)
Net profit for the year before tax		**330,771**	255,309
Tax expense	23	**(29,811)**	-
Net profit for the year		**300,960**	255,309
Earnings per share (basic and diluted in AED)	22	**0.15**	0.12

The attached notes 1 to 35 form an integral part of these financial statements.
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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Year ended 31 December	
	2024	2023
	AED'000	AED'000
Net profit for the year	**300,960**	255,309
Other comprehensive Income		
Items that may be reclassified to the income statement:		
FVOCI Instruments:		
Net change in fair value	**39,004**	65,874
Reclassified to the income statement	**(19,737)**	(27,489)
Net change in allowance for expected credit losses	**-**	(191)
Cash flow hedge:		
Effective portion of changes in fair value	**3,743**	(3,743)
Total items that may be reclassified to the income statement	**23,010**	34,451
Related tax on other comprehensive income (note 23)	**(2,071)**	-
Other comprehensive income for the year	**20,939**	34,451
Total comprehensive income for the year	**321,899**	289,760

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STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
OPERATING ACTIVITIES			
Net profit for the year		**300,960**	255,309
Adjustments for:			
Depreciation and amortization		**22,061**	22,479
Provision for corporate tax	23	**29,811**	-
Gain on sale of property and equipment		**(104)**	(54,296)
Gain on sale of assets acquired in settlement of debt		-	(9,270)
Impairment on assets acquired in settlement of debt	21	**9,260**	3,500
Net credit impairment (reversal)/losses	21	**(7,232)**	99,714
Amortization of commission paid on medium term borrowing		**1,837**	-
Amortisation of premium paid on investments		**3,879**	4,586
Net fair value (gain)/loss on disposal of investments and Islamic instruments		**(331)**	234
Loss on write off of property and equipment and receivables		**4,417**	844
Operating cash flows before movements in working capital		**364,558**	323,100
Changes in operating assets and liabilities:			
Loans and advances		**(2,186,800)**	(1,864,239)
Balances with UAE Central bank maturing after three months		**(237,127)**	(197,228)
Due from banks maturing after three months	6	**1,480**	(1,700)
Other assets and customer acceptances		**(368,322)**	159,288
Due to banks maturing after three months		**(1,420,227)**	892,395
Customer deposits	12	**3,339,533**	1,668,915
Other liabilities and customer acceptances		**305,933**	(21,476)
Net cash (used in)/from operating activities		**(200,972)**	959,055
INVESTING ACTIVITIES			
Purchase of property, equipment and capital work-in-progress	9	**(46,007)**	(22,682)
Purchase of investments		**(1,481,349)**	(1,357,984)
Proceeds from redemption / sale of investments		**601,684**	182,925
Proceeds from sale of assets acquired in settlement of debt		-	16,700
Proceeds from sale of property and equipment		**129**	153,000
Net cash used in investing activities		**(925,543)**	(1,028,041)
FINANCING ACTIVITIES			
Proceeds from Tier 1 instrument		-	550,875
Tier 1 instrument issuance cost		-	(2,649)
Net purchase of treasury shares		**867**	(3,885)
Coupon paid on Tier 1 instrument		**(44,401)**	(22,200)
Proceeds from medium term borrowings		-	734,600
Commission paid on Medium term borrowings		-	(3,857)
Net cash (used in)/from financing activities		**(43,534)**	1,252,884
Net change in cash and cash equivalents		**(1,170,049)**	1,183,898
Cash and cash equivalents at 1 January		**1,182,622**	(1,276)
Cash and cash equivalents at 31 December		**12,573**	1,182,622

Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:

	2024 AED'000	2023 AED'000
Cash and balances with the UAE Central Bank	**1,533,205**	1,546,188
Due from banks	**585,148**	455,068
Due to banks	**(2,105,780)**	(818,634)
	12,573	1,182,622

The attached notes 1 to 35 form an integral part of these financial statements.
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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital AED'000	*Tier 1 instrument AED'000*	*Special reserve AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Treasury shares AED'000*	*Cumulative changes in fair value AED'000*	*Accumulated losses AED'000*	*Total AED'000*
At 1 January 2024	2,062,550	550,875	48,022	76,946	9,311	(3,885)	(119,170)	(334,904)	2,289,745
Net profit for the year	-	-	-	-	-	-	-	300,960	300,960
Other comprehensive income for the year	-	-	-	-	-	-	20,939	-	20,939
Total comprehensive income for the year	-	-	-	-	-	-	20,939	300,960	321,899
Tier 1 instrument	-	-	-	-	-	-	-	-	-
Tier 1 instrument issuance cost	-	-	-	-	-	-	-	-	-
Coupon payable to Tier 1 instrument holders	-	-	-	-	-	-	-	(44,401)	(44,401)
Treasury shares acquired	-	-	-	-	-	877	-	(10)	867
Directors' remuneration (note 24)	-	-	-	-	-	-	-	(16,625)	(16,625)
Transfer to Special reserve (note 15)	-	-	30,096	-	-	-	-	(30,096)	-
Transfer to Statutory reserve (note 15)	-	-	-	30,096	-	-	-	(30,096)	-
Balance at 31 December 2024	**2,062,550**	**550,875**	**78,118**	**107,042**	**9,311**	**(3,008)**	**(98,231)**	**(155,172)**	**2,551,485**
At 1 January 2023	2,062,550	-	22,491	51,415	9,311	-	(153,621)	(492,810)	1,499,336
Net profit for the year	-	-	-	-	-	-	-	255,309	255,309
Other comprehensive loss for the year	-	-	-	-	-	-	34,451	-	34,451
Total comprehensive income for the year	-	-	-	-	-	-	34,451	255,309	289,760
Tier 1 instrument	-	550,875	-	-	-	-	-	-	550,875
Tier 1 instrument issuance cost	-	-	-	-	-	-	-	(2,649)	(2,649)
Coupon payable to Tier 1 instrument holders	-	-	-	-	-	-	-	(33,300)	(33,300)
Treasury shares acquired	-	-	-	-	-	(3,885)	-	330	(3,555)
Directors' remuneration (note 24)	-	-	-	-	-	-	-	(10,722)	(10,722)
Transfer to Special reserve (note 15)	-	-	25,531	-	-	-	-	(25,531)	-
Transfer to Statutory reserve (note 15)	-	-	-	25,531	-	-	-	(25,531)	-
Balance at 31 December 2023	2,062,550	550,875	48,022	76,946	9,311	(3,885)	(119,170)	(334,904)	2,289,745

The attached notes 1 to 35 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 2 - 8.

1 Legal status and activities

United Arab Bank P.J.S.C. (the "Bank") was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness The Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank's registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

2 Basis of preparation

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates. Along with these financial statements, the Bank has presented Basel III Pillar 3 disclosures in accordance with the guidelines issued by the UAE Central Bank.

3 Significant accounting policies

3.1 New and revised International Financial Reporting Standards

3.1.1 Standards, amendments and interpretations that are effective for the Bank's accounting period beginning on 1 January 2024

The following amendments to existing IFRS accounting standards became effective for annual periods beginning from 1 January 2024.

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7

These amendments had no impact on the financial statements of the Bank as at 31 December 2024.

Standard Issued but not yet Effective

The new and amended standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's financial statements are described below.

i. Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

3 Significant accounting policies (continued)

3.1 New and revised International Financial Reporting Standards (continued)

3.1.1 Standards, amendments and interpretations that are effective for the Bank's accounting period beginning on 1 January 2024 (continued)

i) Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 (continued)

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments

ii. IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

The Bank is currently evaluating these amendments. The Bank will adopt it when the amendment becomes effective.

3.2 Basis of measurement

The Bank's financial statements are prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value; and
- financial assets at FVTPL and FVOCI are measured at fair value;

3.3 Functional and presentation currency

The Bank's financial statements have been presented in Arab Emirates Dirhams (AED), which is the presentation currency of the Bank and also the functional currency of the Bank and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

3 Significant accounting policies (continued)

3.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument for another entity. All assets and liabilities in the statement of financial position are financial instruments except property and equipment, assets acquired in settlement of debts, capital work-in-progress, prepayments, provision for employee service benefits and shareholders' equity.

3.4.1 Classification

On initial recognition a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The classification requirements for debt and equity instruments are described below.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

The classification depends on the Bank's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Based on these factors, the Bank classifies its debt instruments into one of 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 FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as explained in Note 3.4.14. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- FVOCI – 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 fair value through comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

- FVTPL – Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement in the period in which it arises.

The business model reflects how the Bank manages its assets in order to generate cash flows that is, whether the Bank'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, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI' test). In making this assessment, the Bank 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 a profit margin that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangements, the related financial asset is classified and measured at fair value through profit or loss.

The Bank 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 none occurred during the year.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.1 Classification (continued)

Equity instruments

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Equity instruments at FVOCI are not subject to an impairment assessment.

All other financial assets are classified and measured at FVTPL.

3.4.2 Recognition and initial measurement

The Bank initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

3.4.3 Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal re-payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts including initial transaction costs are included in the carrying amount of the related instrument.

3.4.4 Subsequent measurement

Subsequent to initial recognition, all financial instruments to be fair valued are measured at fair value, except any instrument that does not have a reliably measurable fair value, in which case financial instruments are measured as set out in the fair value measurement principles below.

All other assets are measured at amortised cost using the effective interest method less impairment losses, if any.

3.4.5 Gains and losses on subsequent measurement

(a) Debt Investments

Gains and losses arising from changes in the fair value of FVOCI investments are recognised directly in equity through other comprehensive income, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of income. Changes in the fair value of FVTPL investments are subsequently recognised in the profit or loss.

(b) Equity Investments

Gains and losses arising from changes in the fair value on equity investments are recognized in comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.6 De-recognition

Financial assets are derecognised when the contractual rights to receive cash flows from the asset expire or where the Bank has transferred substantially all the risks and rewards of ownership.

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

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

3.4.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an offer price, the Bank measures its assets, liabilities, long and short positions at mid-market rate (which is computed as an average of the bid and offer price).

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

3.4.8 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances arise when cash is advanced to a debtor with no intention of trading the receivable. Loans and advances are carried at amortised cost.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.9 Investments

The ‘investment securities’ caption in the statement of financial position includes:
- debt securities measured at FVOCI and amortized cost; and
- equity investment securities designated as at FVOCI.

Investments in debt instruments are measured at amortised cost where they have:
- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described in Note 4.2.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for interest revenue using the effective interest method which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

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

3.4.10 Due from banks

Due from banks and financial institutions are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate less allowance for impairment, if any.

3.4.11 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the Central Bank, deposits with the Central Bank with an original maturity of three months or less, and amounts due from (to) banks on demand or with an original maturity of three months or less.

3.4.12 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, with premium received included in ‘Other liabilities’. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in ‘Provision for credit losses’. The premium received is recognised in the statement of income in ‘Net fees and commission income’ on a straight line basis over the life of the guarantee.

3.4.13 Derivatives and hedges

The Bank enters into derivative instruments including forwards, futures, forward rate agreements, swaps and options in foreign exchange, interest rate and capital markets. In the normal course of business, the fair value of a derivative on initial recognition is the transaction price included in other income/expenses. Subsequent to their initial recognition, derivative financial instruments are stated at fair values where they are designated as part of a hedging relationship and classified as a hedging instrument. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. Changes in the fair values of derivatives held for trading or to offset other trading positions are included in other operating income (expenses) in the statement of income.

As permitted by IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.13 Derivatives and hedges (continued)

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is / are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Changes in the fair value of derivatives that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk are included in other operating income / (expenses) along with the corresponding changes in the fair value of the hedged assets or liabilities which are attributable to the risk being hedged.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Upon such discontinuance, in the case of fair value hedges of interest-bearing financial instruments any adjustment to the carrying amount relating to the hedged risk is amortised in the statement of income over the remaining term to maturity.

Certain derivative transactions, while providing effective economic hedges under the Bank's asset and liability management and risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore accounted for as derivatives held for trading and the related fair value gains and losses reported in other operating income (expenses).

3.4.14 Impairment of financial assets

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial instruments accounted for at amortised cost and FVOCI.

i) Stage 1: 12-months ECL
When financial instruments are first recognized, the bank recognizes an allowance based on 12-month ECLs. 12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date

ii) Stage 2: Lifetime ECL – not credit impaired
When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses (LTECL). LTECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

iii) Stage 3: Lifetime ECL – credit impaired
For financial instruments that are deemed credit-impaired, the Bank records an allowance for Lifetime Expected Credit Losses (LTECLs)

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.14 Impairment of financial assets (continued)

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost and FVOCI: as a deduction from the gross carrying amount of the assets and adjustments to OCI respectively; and
- loan commitments and financial guarantee contracts: as a provision in other liabilities

3.5 Renegotiated loans

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

3.6 Write-off

The Bank writes off its loans and advances, Islamic financing receivable balances or other financial asset (and any other related allowances for impairment losses) when the Bank's credit determines that such financial assets are uncollectible in whole or in part. This is determined after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Assets are written-off against provisions up to the extent of amount considered un-collectible.

However, the Bank retains its full legal claim on, and may continue with its recovery effort including litigation, on written-off accounts.

Subsequent recoveries of amounts previously written off are recognised in the statement of income.

3.7 Assets acquired in settlement of debts

In certain cases, the Bank may close out transactions by acquiring assets in settlement of debts. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment losses) at the date of exchange. No depreciation is provided in respect of these assets. These assets are recorded in "Other assets".

Any subsequent write-down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the statement of income. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the statement of income. The Bank's collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Bank operates.

3.8 Revenue recognition

For all financial instruments measured at amortised cost and debt financial instruments classified as FVOCI and Islamic financial instruments, interest income / profit or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. The interest income / expense accrual on the assets / liabilities linked to Risk Free Rate (RFR) indexes will follow the standard market conventions relating to respective RFRs.

3 Significant accounting policies (continued)

3.8 Revenue recognition (continued)

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fees earned for provision of services over a period of time are accrued over that period. These fees include commission income on letter of credits, guarantees and others, custody and other management advisory fees.

Foreign exchange income includes income from trading in foreign currencies as well as revaluation gains and losses.

Other fee income and expense are recognised when earned or incurred. Dividend income is recognised when the right to receive payment is established.

3.9 Property and equipment

Property and equipment are stated at cost excluding the costs of day to day servicing, less accumulated depreciation and any impairment in value. Freehold land is not depreciated as it is deemed to have an indefinite life. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates
Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment as follows:

Buildings	Over 25 years
Motor vehicles	Over 5 years
Furniture	Over 8 years
Equipment	Over 4 years
Fixtures and leasehold improvements	Over 12 years
Computer software and hardware	Over 7 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in ‘Other operating income’ in the statement of income in the year the asset is derecognised.

3.10 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and can be reliably measured. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.11 Employees’ end of service benefits

Provision is made for the end of service benefits due to employees in accordance with the UAE labor law for their period of service up to the financial position date and the provision arising disclosed as ‘provision for employees’ end of service benefits’ in the statement of financial position. The Bank pays its contributions in respect of UAE citizens under the UAE pension and social security law and no further liability exists.

3.12 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into United Arab Emirates Dirhams at mid-market rates of exchange ruling at the balance sheet date. Any resultant gains and losses are taken to the statement of income.

3 Significant accounting policies (continued)

3.13 Segment reporting

The Bank's segmental reporting is based on the following operating segments: Wholesale banking, Retail banking and Treasury and capital markets.

3.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated based on the higher of fair value less costs to sell and value in use. The reduction in carrying amount is recognised in the income statement.

3.15 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the asset is delivered to the counter party. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

3.16 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

3.17 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

3.18 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

3.19 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Bank and is therefore recognised as a financial liability in the statement of financial position. However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

3.20 Islamic financing and investment products

In addition to conventional banking products, the Bank offers its customers certain non-interest based banking products, which are approved by its Sharia'a Supervisory Board.

The various Islamic instruments described below are accounted for, disclosed and presented in accordance with the requirements of the underlying substance of the instruments and IFRS / IAS / IFRIC.

Murabaha:

Murabaha receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. Murabaha is a sale transaction in which the seller (Bank) expressly mentions the actual cost of the asset to be sold to the customer and sells it to the customer on a cost-plus mark-up (profit) basis. It is in fact the sale of an asset for a profit, usually on deferred payment basis.

Income on Murabaha financing is recognised on a time apportioned basis over the period of the Murabaha contract, using the effective profit rate method.

3 Significant accounting policies (continued)

3.20 Islamic financing and investment products (continued)

Ijara:

Ijara involves a contract where the Bank buys and then leases an item to a customer for a specified rental over a specific period. The duration of lease, as well as the basis for rental, are set and agreed in advance. The Bank acquires the beneficial ownership of the property to lease the usufruct to the customer.

Income on Ijara financing is recognised on a time apportioned basis over the lease term, using the effective profit rate method.

Qard:

A Qard is the transfer of ownership in tangible wealth (money), from the customer to the Bank, and it is binding on the Bank to return equal wealth (money) to the customer on demand or as per the agreed terms, which means that the principal is to be repaid on demand. The Islamic current account offered to customers is based on the concept of Qard, a profit free amount received from the customer to the Bank, on which no profit or other form of return is payable.

Wakala:

Wakala involves an agreement, based on the concept of Wakala Bil Istithmar, where the Bank becomes the investment agent (Wakil) for its customers (Muwakkil) for deposit of their funds in the Wakala investment account to be invested in Shariah-compliant investment instruments. The funds are used to generate profit for the customer by investing in Islamic financing facilities to the Bank's other customers or investing in other Shariah-compliant investment instruments.

Income generated from the Wakala deposits are paid to the customers and the Bank recognizes a corresponding expense in the statement of income. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the agent; otherwise, they are borne by the principal.

3.21 Leases

Right-of-use assets:

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities:

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3 Significant accounting policies (continued)

3.21 Leases (continued)

Short-term leases and leases of low-value assets:

The Bank applies the short-term lease recognition exemption to its short-term leases of ATM's (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) together with the exemption of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Bank has the option, under some of its leases to lease the assets for an additional term. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

3.22 Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

4 Significant management judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

4.1 Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

4.2 Impairment of financial assets

The Bank recognizes loss allowances for Expected Credit Losses (ECLs) on the following financial instruments, where applicable:

- Balances with central banks;
- Due from banks;
- Debt investment securities;
- Loans and advances, Islamic financing, and other financial assets;
- Loan commitments;
- Financial guarantee contracts.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Impairment of financial assets (continued)

Credit risk grades

The bank assigns each exposure to a credit risk grade based on a variety of data deemed predictive of default risk, applying prudent credit judgment. Credit risk grades are determined using both qualitative and quantitative factors that reflect the likelihood of default, with these factors being customized to the nature of the exposure and the type of borrower.

At initial recognition, each exposure is assigned to a credit risk grade based on the available information about the borrower. Exposures are continuously monitored, and this ongoing monitoring may lead to a reassignment of the exposure to a different credit risk grade.

The Bank utilizes internal credit risk grades as a key factor in determining the probability of default for individual facilities. Below is a snapshot of the Bank's credit risk grading system.

S.No.	Internal Rating Grades	Description
1	1	Strong
2	2+	Very Good
3	2	
4	2-	
5	3+	Good
6	3	
7	3-	
8	4+	Satisfactory
9	4	
10	4-	
11	5+	Acceptable
12	5	
13	5-	
14	6+	Marginal
15	6	
16	6-	
17	7+	Internal Watch list
18	7	OLEM
19	7-	
20	8	Sub Standard
21	9	Doubtful
22	10	Loss

Importance of staging criteria

Staging plays a critical role in determining the IFRS 9 Expected Credit Loss (ECL), as it defines the classification of loans into different stages. Loans in Stage 1 are subject to a 12-month ECL, while those in Stage 2 are subject to a lifetime ECL. Under IFRS 9, staging is based on the assessment of changes in the credit quality of loans from their initial recognition. Loans classified under Stage 3 show objective evidence of impairment.

A significant increase in credit risk is assessed by comparing the default risk estimated at origination with the default risk at the reporting date.

The Bank has implemented a staging matrix that illustrates the movement between stages, reflecting the transition from the origination rating to the current rating.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Importance of staging criteria (continued)

In addition to the credit risk grading changes, indicators such as DPD and restructure are also considered:

The SICR criteria for retail accounts primarily rely on the days past due (DPD) thresholds. Additionally, qualitative factors such as skip/job loss and unlikeliness to pay are also considered when assessing SICR.

In assessing a significant increase in credit risk, the Bank also takes into account various qualitative factors, such as significant negative changes in the business, actual or expected forbearance or restructuring, early indications of cash flow and liquidity issues, and unlikeliness to pay.

Determining the stage for impairment

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

- The borrower is past due more than 90 days on any material credit obligation.
- The borrower is unlikely to pay its credit obligations to the bank in full without recourse to actions such as realizing security.

Significant increase in credit risk (SICR)

The Bank monitors all financial assets, issued loan commitments, and financial guarantee contracts to assess whether there has been a significant increase in credit risk since initial recognition. This assessment is performed on a monthly basis for each individual exposure.

Quantitative thresholds are established for the significant increase in credit risk by comparing the risk of default estimated at origination with the risk of default at the reporting date based on movements in credit ratings. The bank also employs an Early Warning Indicator (EWI) framework to identify potentially higher-risk customers within performing customers.

The assessment considers both quantitative and qualitative information, including:

- Internal risk grades and external credit ratings (where available);
- Actual or expected adverse changes in business, financial, or economic conditions;
- Significant changes in the value of collateral;
- Macro-economic information such as oil prices, GDP, real imports and general government finance expenditure/revenue;
- Incorporation of Forward-Looking Information.

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

- Probability of Default (PD): PD is the estimate of the likelihood of default over a given time horizon, calculated based on statistical rating models and assessed using rating tools tailored to various categories of counterparties and exposures.
- Loss Given Default (LGD): LGD is an estimate of the loss arising on default, based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. LGD models consider forecasts of future collateral valuation, sale discounts, time to realization of collateral, cross-collateralization, and seniority of claim.

- Exposure at Default (EAD): EAD represents the expected exposure in the event of a default. For lending commitments, EADs are potential future amounts that may be drawn under the contract, estimated based on historical observations and forward-looking forecasts.

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

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Measurement of ECL

ECLs are an unbiased probability-weighted estimate of the present value of credit losses, determined by evaluating a range of possible outcomes.

For funded exposures, ECL is measured as follows:

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

For unfunded facilities, ECL is based on the potential exposure, which considers the likelihood that the commitment will be utilized and the resulting credit risk.

The Bank incorporates forward-looking information into its assessment of credit risk and ECL measurement. This includes economic scenarios (base, upside, downside) and key macroeconomic indicators such as oil prices, GDP growth, and real imports and general government finance expenditure/revenue.

The table below summarizes key macroeconomic indicators included in the economic scenarios in the UAE at 31 December 2024 for the years ending 2024 to 2027:

Macroeconomic variables **As at 31 December 2024**	***Scenario***	***Assigned probabilities***	***2024***	***2025***	***2026***	***2027***
Real Imports of Goods and Services (AED)	Base	40%	1,856.51	1,924.30	2,004.60	2,066.78
	Upside	20%	1,856.51	1,947.08	2,064.88	2,154.96
	Downside	40%	1,856.51	1,707.60	1,779.25	1,831.86
General Government Finance: Expenditure (AED)	Base	40%	430.51	497.29	550.08	581.15
	Upside	20%	430.51	506.23	583.67	614.88
	Downside	40%	430.51	484.25	492.72	511.30
General government debt to GDP ratio (%)	Base	40%	31.60	31.71	32.48	33.85
	Upside	20%	31.60	26.69	27.01	29.14
	Downside	40%	31.60	41.83	47.28	45.89
Share Price Index: ADX General Index	Base	40%	9,310.06	9,011.04	8,949.44	9,453.50
	Upside	20%	9,310.06	9,702.74	9,517.08	9,943.60
	Downside	40%	9,310.06	5,744.60	6,800.89	7,590.10
House Price Index: Real	Base	40%	135.39	141.33	148.09	157.39
	Upside	20%	135.39	145.73	155.08	165.02
	Downside	40%	135.39	118.44	116.28	123.80
Real Net Exports of Goods and Services (AED)	Base	40%	69.43	50.30	61.41	89.07
	Upside	20%	69.43	50.06	47.25	69.50
	Downside	40%	69.43	86.04	91.46	120.84
Real Gross Domestic Product [GDP] (AED)	Base	40%	1,774.80	1,824.33	1,895.47	1,965.64
	Upside	20%	1,774.80	1,872.99	1,956.88	2,029.33
	Downside	40%	1,774.80	1,715.81	1,746.39	1,844.07
Brent crude oil 1-month forward (USD)	Base	40%	73.83	74.12	68.96	69.01
	Upside	20%	73.83	79.74	72.23	70.22
	Downside	40%	73.83	52.64	59.37	66.92
General Government Finance: Revenue (AED)	Base	40%	571.91	596.23	589.53	572.92
	Upside	20%	571.91	686.44	615.79	594.19
	Downside	40%	571.91	455.65	509.85	517.52

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Sensitivity analysis

From a sensitivity analysis perspective, under worst-case conditions, if the weight of the downturn scenario were adjusted by +10% (increasing the downside scenario by 10% from the upside) or -10% (reducing the downside scenario by 10% toward the base scenario), the impact on ECL would result in an increase of AED +1.7M and a decrease of AED -1.4M, respectively. This approach ensures a conservative assessment by focusing on adverse conditions, aligning with the Bank's prudent credit risk management framework.

Impact of CBUAE Regulations

The Central Bank of the UAE (CBUAE) rolled out new Credit Risk Management Regulations and Standards vide Circular No. 3/2024 dated 25/7/2024, which have influenced impairment process across UAE Banking sector. These regulations have led to the following changes:

- Enhanced requirements for the identification and measurement of ECLs, including the use of more granular data and forward-looking scenarios.
- Strengthened criteria for the assessment of significant increases in credit risk and unlikeliness to pay.

The Bank has integrated these regulatory changes into its impairment framework, ensuring compliance with CBUAE standards while maintaining a prudent approach to credit risk management.

The calculation process, the methodology and the results for provisions have been reviewed and approved by the Committee responsible for the oversight of provisions. Accordingly, the responsible Committee has formally reviewed as presented by the CRO the calculation process, the methodology and results of the provision. Therefore, the provisions have been presented and approved by the Board or delegated body of the Board.

4.3 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

4.4 Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in UAE and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

4 Significant management judgements and estimates (continued)

4.5 Determination of the lease term for lease contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as credit rating, or to reflect the terms and conditions of the lease).

4.6 Income taxes and deferred taxes

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

As the Bank's accounting year ends on 31 December, the first tax period will be 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025.

The taxable income of the bank in scope for UAE CT purposes will be subject to the rate of 9% corporate tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Bank generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be settled with the tax authorities.

Deferred tax is accounted for using the asset and liability method. Deferred tax assets and liabilities are recognised for the full tax consequences of all temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Recognition of deferred tax assets are, however, restricted to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured using tax rates that are expected to apply to the period in which the asset is expected to be realised or the liability is expected to be settled.

5 Cash and balances with UAE central bank

	2024 ***AED'000***	*2023* *AED'000*
Cash on hand	**48,684**	37,654
Balances and statutory reserve requirements with UAE Central Bank*	**226,540**	313,426
Overnight Deposit Facility and Certificate of Deposits	**1,950,000**	1,650,000
	2,225,224	2,001,080

5 Cash and balances with UAE central bank (continued)

* The statutory reserve requirements which are kept with the UAE Central Bank are not available to finance the day-to-day operations of the Bank. The level of statutory reserve required changes periodically in accordance with the requirements of the Central Banks' directives.

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

6 Due from banks

	2024	*2023*
	AED'000	*AED'000*
Demand deposits	**285,368**	256,768
Term deposits	**300,000**	200,000
Less: Expected Credit Loss	**(222)**	(201)
	585,146	456,567

Demand deposits includes AED 220 thousand (2023: AED 1,700 thousand) as margin for derivative transactions. Due from Banks are classified under stage 1 as per IFRS 9.

Gross amounts of due from banks by geographical area:

	2024	*2023*
	AED'000	*AED'000*
Within UAE	**311,817**	217,571
Within GCCs	**15,344**	25,663
Other countries	**258,207**	213,534
	585,368	456,768

7 Loans and advances and Islamic financing receivables

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

	2024	*2023*
	AED'000	*AED'000*
(a) By type:		
Overdrafts	**1,186,866**	1,393,589
Loans (medium and short term)*	**10,029,966**	7,923,093
Loans against trust receipts	**597,788**	456,828
Bills discounted	**126,188**	128,415
Other cash advances	**20,133**	26,252
Bills drawn under letters of credit	**113,187**	83,758
Gross loans and advances and Islamic financing receivables	**12,074,128**	10,011,935
Less: Provision for impairment on loans and advances and Islamic financing receivables	**(547,771)**	(654,642)
Net loans and advances and Islamic financing receivables	**11,526,357**	9,357,293

7 Loans and advances and Islamic financing receivables (continued)

* Includes retail loans of AED 2,069,674 thousand (2023: AED 1,182,830 thousand)

	2024 ***AED'000***	*2023* *AED'000*
(b) By economic sector:		
Real Estate	**1,958,608**	1,661,928
Personal-Retail Mortgage	**1,603,185**	765,140
Government and public sector	**743,584**	659,959
Trade	**987,882**	926,122
Personal loans (retail and business)	**849,273**	1,178,968
Manufacturing	**719,214**	741,217
Construction	**150,265**	212,800
Services	**1,797,360**	1,810,234
Financial institutions	**2,766,930**	1,901,113
Transport and communication	**427,433**	154,041
Others	**70,394**	413
Gross loans and advances and Islamic financing receivables	**12,074,128**	10,011,935

Islamic financing gross receivables amount to AED 1,261,475 thousand (2023: AED 798,878 thousand) recognized through the Bank's Shari'a – compliant Islamic window.

Movement in the gross balances of loans and advances and Islamic financing receivables

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Gross carrying amount as at 31 December 2023	**9,044,063**	**471,210**	**496,662**	**10,011,935**
Changes due to financial assets recognized in the opening balance that have				
Transferred from Stage 1	**(15,317)**	**11,215**	**4,102**	**-**
Transferred from Stage 2	**63,020**	**(175,336)**	**112,316**	**-**
Transferred from Stage 3	**1**	**2,663**	**(2,664)**	**-**
Net of new assets originated or purchased	**2,300,602**	**(93,227)**	**(79,263)**	**2,128,112**
Write-offs	**-**	**-**	**(65,919)**	**(65,919)**
As at 31 December 2024	**11,392,369**	**216,525**	**465,234**	**12,074,128**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Gross carrying amount as at 31 December 2022	6,929,373	636,456	673,806	8,239,635
Changes due to financial assets recognized in the opening balance that have				
Transferred from Stage 1	(154,613)	149,228	5,385	-
Transferred from Stage 2	14,224	(138,576)	124,352	-
Transferred from Stage 3	-	7,027	(7,027)	-
Net of new assets originated or purchased	2,255,079	(182,925)	(201,266)	1,870,888
Write-offs	-	-	(98,588)	(98,588)
As at 31 December 2023	9,044,063	471,210	496,662	10,011,935

7 Loans and advances and Islamic financing receivables (continued)

Movement in provision for impairment of loans and advances and Islamic financing receivables

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Balance as at 31 December 2023	**130,431**	**169,779**	**354,432**	**654,642**
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	**(21,824)**	**7,336**	**14,488**	**-**
Transferred from lifetime ECL not credit-impaired	**8,991**	**(49,938)**	**40,947**	**-**
Transferred from lifetime ECL credit-impaired	**-**	**637**	**(637)**	**-**
Transferred to lifetime ECL credit-impaired on commitments and contingent liabilities	**(10,395)**	**-**	**4,780**	**(5,615)**
Charge to income statement	**(5,116)**	**(10,304)**	**3,487**	**(11,933)**
Release to income statement	**-**	**-**	**(23,404)**	**(23,404)**
Write-offs	**-**	**-**	**(65,919)**	**(65,919)**
As at 31 December 2024	**102,087**	**117,510**	**328,174**	**547,771**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Balance as at 31 December 2022	93,109	245,401	296,825	635,335
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	(33,660)	31,654	2,006	-
Transferred from lifetime ECL not credit-impaired	96	(115,324)	115,228	-
Transferred from lifetime ECL credit-impaired	-	2,427	(2,427)	-
Transferred to lifetime ECL credit-impaired on commitments and contingent liabilities	-	-	(2,546)	(2,546)
Charge to income statement	70,886	5,621	43,934	120,441
Write-offs	-	-	(98,588)	(98,588)
As at 31 December 2023	130,431	169,779	354,432	654,642

Sector wise analysis of impaired loans and advances and Islamic financing receivables in the default category and related provisions is as follows:

	2024		*2023*	
	Gross exposure AED'000	***Impairment provision AED'000***	*Gross exposure AED'000*	*Impairment provision AED'000*
By economic sector				
Real Estate	**295,595**	**172,741**	305,642	200,254
Personal-Retail Mortgage	**28,241**	**17,569**	35,395	14,884
Trade	**64,401**	**64,358**	64,740	64,731
Personal loans (retail and business)	**22,414**	**20,285**	31,492	30,786
Manufacturing	**24,144**	**23,919**	41,164	35,813
Construction	**20,207**	**20,207**	3,081	3,081
Services	**2,740**	**2,737**	5,158	3,851
Transport and communication	**7,492**	**6,358**	9,990	1,032
Total	**465,234**	**328,174**	496,662	354,432

The fair value of collateral that the Bank holds relating to loans to corporate and retail customers individually determined to be impaired at 31 December 2024 amounts to AED 250,144 thousand (2023: AED 339,284 thousand). The collateral consists of cash, securities, charges over real estate properties, vehicles, plant and machinery, inventory, trade receivables, and guarantees from parent companies for loans to their subsidiaries or other Bank companies.

8 Investments and Islamic instruments

	31 Dec 2024			*31 Dec 2023*		
	Quoted AED'000	***Unquoted AED'000***	***Total AED'000***	*Quoted AED'000*	*Unquoted AED'000*	*Total AED'000*
Debt:						
FVOCI						
Local	**2,057,585**	**-**	**2,057,585**	2,288,599	-	2,288,599
Overseas	**2,244,046**	**-**	**2,244,046**	1,568,926	-	1,568,926
Amortised Cost						
Local	**569,585**	**-**	**569,585**	513,605	-	513,605
Overseas	**1,135,082**	**-**	**1,135,082**	720,431	-	720,431
Total debt securities	**6,006,298**	**-**	**6,006,298**	5,091,561	-	5,091,561
Equity:						
FVOCI						
Local	**-**	**849**	**849**	-	466	466
Overseas	**-**	**76**	**76**	-	76	76
Total equities	**-**	**925**	**925**	-	542	542
Total investments	**6,006,298**	**925**	**6,007,223**	5,091,561	542	5,092,103
ECL on investments held at amortised cost			**(2,242)**			(2,242)
Net investments			**6,004,981**			5,089,861

The Bank holds a stage 1 ECL allowance on its investment securities classified under FVOCI amounting to AED 29,260 thousand as at 31 December 2024 (31 December 2023: AED 29,260 thousand).

Included in the above are investment securities amounting to AED 1,460,843 thousand (2023: AED 2,137,230 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 2,447 thousand (2023: AED 6,436 thousand) on these investment securities secured under repurchase agreements.

Investments and Islamic instruments are classified under stage 1 as per IFRS 9.

Movement in the provision for impairment of investment securities (FVOCI and Amortised Cost):

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Balance as at 31 December 2023	**31,502**	**-**	**-**	**31,502**
Charge to income statement	**-**	**-**	**-**	**-**
As at 31 December 2024	**31,502**	**-**	**-**	**31,502**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2022	31,502	-	-	31,502
Charge to income statement	-	-	-	-
As at 31 December 2023	31,502	-	-	31,502

8 Investments and Islamic instruments (continued)

An analysis of the investment based on external credit ratings is as follows:

As at 31 December 2024	***Debt securities AED'000***	***Other investments AED'000***	***Total AED'000***
AA	**777,143**	**-**	**777,143**
AA-	**446,225**	**-**	**446,225**
A+	**626,928**	**-**	**626,928**
A	**416,763**	**-**	**416,763**
A-	**128,735**	**-**	**128,735**
BBB+	**167,061**	**-**	**167,061**
BBB	**356,403**	**-**	**356,403**
BBB- and below	**2,944,449**	**-**	**2,944,449**
Unrated	**142,591**	**925**	**143,516**
Total investments	**6,006,298**	**925**	**6,007,223**
ECL on investments held at amortised cost	**(2,242)**	**-**	**(2,242)**
Net investments	**6,004,056**	**925**	**6,004,981**

As at 31 December 2023	Debt securities AED'000	Other investments AED'000	Total AED'000
AA	1,162,390	-	1,162,390
AA-	277,606	-	277,606
A	716,007	-	716,007
A-	128,680	-	128,680
BBB+	171,118	-	171,118
BBB	69,879	-	69,879
BBB- and below	2,309,790	-	2,309,790
Unrated	256,091	542	256,633
Total investments	5,091,561	542	5,092,103
ECL on investments held at amortised cost	(2,242)	-	(2,242)
Net investments	5,089,319	542	5,089,861

9 Property, equipment and capital work-in-progress

	Freehold land and buildings AED'000	***Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000***	***Capital work-in-progress AED'000***	***Total AED'000***
Cost or valuation:				
At 1 January 2024	**231,194**	**329,585**	**30,042**	**590,821**
Additions	**-**	**11,798**	**34,209**	**46,007**
Transfers	**-**	**17,631**	**(17,631)**	**-**
Write-offs	**-**	**-**	**(4,417)**	**(4,417)**
Sale/Disposals	**-**	**(428)**	**-**	**(428)**
At 31 December 2024	**231,194**	**358,586**	**42,203**	**631,983**
Accumulated depreciation:				
At 1 January 2024	**32,640**	**286,030**	**-**	**318,670**
Charge for the year	**3,294**	**15,320**	**-**	**18,614**
Write-offs	**-**	**-**	**-**	**-**
Sale/Disposals	**-**	**(308)**	**-**	**(308)**
At 31 December 2024	**35,934**	**301,042**	**-**	**336,976**
Impairment on properties	**(90,800)**	**-**	**-**	**(90,800)**
Net Carrying Value as at 31 December 2024	**104,460**	**57,544**	**42,203**	**204,207**

	Freehold land and buildings AED'000	*Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost or valuation:				
At 1 January 2023	420,661	323,032	98,500	842,193
Additions	-	1,703	20,979	22,682
Transfers	-	4,850	(4,850)	-
Write-offs	-	-	(558)	(558)
Sale/Disposals	(189,467)	-	(84,029)	(273,496)
At 31 December 2023	231,194	329,585	30,042	590,821
Accumulated depreciation:				
At 1 January 2023	29,347	269,387	-	298,734
Charge for the year	3,293	16,643	-	19,936
Write-offs	-	-	-	-
Sale/Disposals	-	-	-	-
At 31 December 2023	32,640	286,030	-	318,670
Impairment on properties	(90,800)	-	-	(90,800)
Net Carrying Value as at 31 December 2023	107,754	43,555	30,042	181,351

9 Property, equipment and capital work-in-progress (continued)

The cost of freehold land included above is AED 148,900 thousand (2023: AED 148,900 thousand). Management has completed the assessment of the carrying values of these plots of land and has accordingly recognised an impairment of AED Nil thousand during 2024 (2023: AED Nil thousand).

Intangible assets relating to computer software are included within equipment with a net carrying value of AED 30,806 thousand (2023: AED 22,392 thousand).

Description of the valuation techniques used and key inputs to valuation of properties is as follows:

Valuation technique	**Significant unobservable inputs**
DRC method (refer below)	Sales rate per sq ft on gross floor area (GFA) amended to incorporate negotiation, size and time adjustment for transactions
Sales Comparison method (refer below)	Negotiation adjustment of 15% has been applied to the current asking price for similar land parcels

Depreciated Replacement Costs ("DRC") method

The DRC method is based on the market value of the current use of the land in addition to the current gross replacement costs of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

Sales comparison method
This method involves analysing sales and asking prices of similar plots of land and comparing these to the property owned.

10 Other assets

	2024 AED'000	*2023 AED'000*
Interest receivable	**157,968**	142,660
Positive fair value of derivatives (Note 25)	**51,268**	57,482
Prepayments and other assets	**225,125**	91,041
Right-of-use assets	**8,494**	7,805
Assets repossessed in settlement of debts, net (refer below)	**49,720**	58,980
	492,575	357,968

During 2024, the Bank recognised a gain on sale of AED Nil thousand (2023: AED 9,270 thousand) on its properties which had a net carrying value of AED Nil thousand (2023: AED 7,430 thousand) at the time of sale. The management completed an assessment of the carrying values of the remaining properties in 2024 and has accordingly recognised AED 9,260 thousand impairment (2023: AED 3,500 thousand) for the year.

11 Due to banks

	2024	*2023*
	AED'000	*AED'000*
Demand deposits	**42,129**	57,725
Term deposits	**3,554,225**	3,671,710
	3,596,354	3,729,435

Term deposits include borrowings through repurchase agreements of AED 1,234,446 thousand (2023: AED 1,764,647 thousand). Demand deposits include AED 35,623 thousand (2023: AED 53,198 thousand) held as margin for derivative transactions.

	2024	*2023*
	AED'000	*AED'000*
Gross amounts due to banks by geographical area		
Within U.A.E.	**1,236,345**	1,079,728
Within GCC	**6,159**	219,605
Other countries	**2,353,850**	2,430,102
	3,596,354	3,729,435

12 Customer deposits and Islamic customer deposits

	2024	*2023*
	AED'000	*AED'000*
Term deposits	**9,014,789**	6,497,281
Current accounts	**4,384,780**	3,560,296
Call and saving accounts	**177,466**	179,925
	13,577,035	10,237,502

Customer deposits include Islamic customer deposits amounting to AED 2,091,426 thousand (2023: AED 1,436,478 thousand) undertaken through the Bank's Shari'a - compliant Islamic window.

13 Medium term borrowings

The Bank has arranged a term loan facility amounting to AED 734,600 thousand during 2023. The facility carries a floating interest rate, being margin over EIBOR and is repayable in full in December 2025.

14 Other liabilities

	2024	2023
	AED'000	*AED'000*
Interest payable	**166,380**	132,692
Negative fair value of derivatives (Note 25)	**12,149**	11,448
ECL on off-balance sheet exposures (Note 26)	**100,150**	89,667
Staff related provisions	**21,697**	18,886
Accrued expenses	**50,729**	62,972
Un-presented cheques	**54,313**	54,559
Lease liability	**7,180**	8,280
Corporate tax liability (Note 23)	**29,811**	-
Deferred tax liability (Note 23)	**2,071**	-
Others	**134,536**	74,334
	579,016	452,838

In accordance with UAE labour law, the Bank provides for end of service benefit for its expatriate employees. Movements in the liability recognised in the statement of financial position in respect of end of service benefits are as follows:

	2024	2023
	AED'000	*AED'000*
Liability as at 1 January	**18,886**	17,246
Expense recognised in the statement of income	**5,093**	6,823
End of service benefits paid	**(2,282)**	(5,183)
Liability as at 31 December	**21,697**	18,886

15 Share capital and reserves

a) Share capital

The authorised paid up share capital of the Bank is 2,750,067,532 (2023: 2,750,067,532) shares of AED 1 each. The issued and fully paid up share capital of the Bank comprises 2,062,550,649 (2023: 2,062,550,649) shares of AED 1 each. See Note 23 for details.

b) Tier 1 instrument

On 30 March 2023, the Bank has issued a perpetual, non-callable 5.5 years Tier 1 Instrument ("instrument") of USD 150 million (AED 551 Million) which qualifies to be included as regulatory Tier 1 capital. The instrument constitutes direct, unsecured, non-convertible and sub-ordinated obligations of the Bank. Under the terms and conditions of the issue, the Bank may elect not to pay a coupon and has the option to call back the Instrument at the contractual reset date subject to Central Bank of UAE approval.

c) Special reserve

Decretal Federal Law No. (14) of 2018 concerning the Central Bank, the Monetary System and Organisation of Banking requires that 10% of the net profit is transferred to a non-distributable special reserve until this reserve equals 50% of the paid up share capital. This reserve has a balance of AED 78,118 thousand (2023: AED 48,022 thousand) as of 31 December 2024.

d) Statutory reserve

UAE Federal Law No.(2) of 2015 and the Articles of Association of the Bank, require that 10% of the net profit is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve has a balance of AED 107,042 thousand (2023: AED 76,946 thousand) as of 31 December 2024.

15 Share capital and reserves (continued)

e) General reserve

The general reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the bank at an ordinary general meeting, on the recommendation of the Board of Directors. This reserve has a balance of AED 9,311 thousand (2023: AED 9,311 thousand) as of 31 December 2024.

f) Dividends

The directors do not propose any cash dividend for the year ended 31 December 2024 (2023: Nil).

g) Cumulative changes in fair value

Cumulative changes in fair value reserve includes the net change in fair value of FVOCI assets, deferred tax liability and the net effective portion of changes in fair value of cash flow hedges. This reserve has a balance of AED (98,231) thousand (2023: AED (119,170) thousand) as of 31 December 2024.

16 Interest income and income from Islamic financing products

	2024	*2023*
	AED'000	*AED'000*
Loans and advances and Islamic financing products	**703,809**	523,434
Money market and interbank transactions	**211,417**	194,060
Debt investments securities and profit on Sukuks	**277,314**	204,116
	1,192,540	921,610

17 Interest expense and distribution to depositors

	2024	*2023*
	AED'000	*AED'000*
Customer deposits	**424,358**	275,717
Interbank transactions	**301,627**	250,955
	725,985	526,672

18 Net fees and commission income

	2024	*2023*
	AED'000	*AED'000*
Fees on letters of credit and acceptances	**10,960**	9,837
Fees on guarantees	**19,509**	18,104
Fees on loans and advances	**43,029**	27,816
Other fee income	**24,243**	24,962
Commission expense	**(6,981)**	(3,968)
	90,760	76,751

19 Foreign exchange income

Foreign exchange income comprises mainly of net gains of AED 34,375 thousand (2023: AED 19,919 thousand) arising from trading in foreign currencies.

20 Other operating expenses

	2024	*2023*
	AED'000	*AED'000*
Occupancy and maintenance costs	**43,491**	43,229
Legal and professional fees	**25,405**	21,731
Other administrative expenses	**17,837**	15,477
Write-off of property and equipment (Note 9)	**4,417**	558
	91,150	80,995

21 Net impairment losses

Provision for credit losses recognised in the statement of income is as follows

	2024	*2023*
	AED'000	*AED'000*
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables	**12,122**	(100,375)
Contingent liabilities (Note 26)	**(4,868)**	797
Due from banks (Note 6)	**(21)**	(136)
Impairment of non-financial assets (Note 10)	**(9,260)**	(3,500)
Recovery on bad debts written off	**44,853**	66,865
Net impairment reversal/(loss)	**42,826**	(36,349)

22 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculations are as follows:

	2024	*2023*
	AED'000	*AED'000*
Net profit for the year	**300,960**	255,309
Number of ordinary shares:		
Number of shares of AED 1 each outstanding for the year	**2,060,238,811**	2,059,615,768
Basic earnings per share	**AED 0.15**	AED 0.12

The diluted earnings per share are the same as basic earnings per share as the Bank has not issued any instruments which would have a dilutive impact on earnings per share if or when exercised.

23 Tax Expense

The Bank calculates income tax expense using the tax rate that would be applicable to the expected total earnings. The major components of income tax expense are:

	2024 AED'000	*2023 AED'000*
Tax expense for the year:		
Statement of profit or loss:		
Current tax charge	**29,811**	-
Statement of other comprehensive income:		
Deferred tax on items that may be reclassified to income statement	**2,071**	-

Reconciliation of Bank's tax on profit based on accounting and profit as per tax law is as follows:

	2024 AED'000	*2023 AED'000*
Net profit before tax	**330,771**	-
Effect of CIT @ 9% (w.e.f. 2024)	**29,769**	-
Tax effects of:		
Expense not deductible for tax purpose	**76**	-
Effect of standard exemption	**(34)**	-
Income Tax Expense	**29,811**	-

24 Related party transactions

The Bank carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Bank, directors of the Bank, key management personnel of the Bank and companies over which such shareholders and directors exercise control or significant influence either directly or indirectly. The significant balances outstanding at 31 December are as follows:

	2024 AED'000	*2023 AED'000*
Shareholders:		
Due from banks	**132**	1,014
Due to banks	**6,159**	3,608
Commitments and contingencies	**6,000**	5,000
Tier 1 instrument	**550,875**	550,875
Coupon payable on Tier 1 instrument	**11,100**	11,100
Directors:		
Loans and advances	**7,494**	12,132
Customer deposits	**12,369**	22,816
Commitments and contingencies	**45**	4,803

24 1Related party transactions (continued)

	2024 ***AED'000***	*2023* *AED'000*
Other related entities of shareholders and directors:		
Loans and advances	**64,307**	52,318
Due from banks	**8**	8
Due to banks	**46**	700
Customer deposits	**262,856**	266,416
Commitments and contingencies	**30,578**	45,543
Key management personnel of the Bank:		
Loans and advances	**12,385**	7,782
Customers deposits	**7,323**	6,243
Shareholders, directors and their related entities and key management personnel:		
Accrued interest income	**593**	249
Accrued interest expense	**2,433**	1,410
ECL release from income statement	**947**	(2,652)

The income, expenses, purchase and sale of investments in respect of related parties during the year included in the statement of income are as follows:

	2024 ***AED'000***	*2023* *AED'000*
Shareholders, directors and their related entities:		
Interest income	**5,476**	6,941
Interest expense	**3,064**	2,559
Professional fees	**145**	154
Interest paid on Tier 1 instrument	**44,401**	22,200
Director's remuneration and meeting attendance fees	**16,625**	10,722

24 Related party transactions (continued)

	2024	*2023*
	AED'000	*AED'000*
Key management personnel of the bank:		
Number of key management personnel	**14**	13
Salaries and other short term benefits	**20,977**	21,604
Employees' end of service benefits	**906**	405
Total compensation to key management personnel	**21,883**	22,009
Interest income	**644**	112
Interest expense	**185**	88

Terms and conditions of transactions with related parties

The above mentioned outstanding balances and transactions arose from the ordinary course of business and have been conducted on an arm's length. The interest charged to, and by, related parties is at normal commercial rates.

The Bank has leased office space in various premises owned by a related party. The property rentals less associated expenses for the year amounted to AED 1,542 thousand (2023: AED 1,545 thousand). The property rentals are negotiated each year at market rates.

Movement in the gross balances of all related party loans and advances:

Gross carrying amount	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
As at 31 December 2023	**54,781**	**17,451**	**-**	**72,232**
Net of new assets originated or repaid	**6,596**	**5,358**	**-**	**11,954**
As at 31 December 2024	**61,377**	**22,809**	**-**	**84,186**

Gross carrying amount	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
As at 31 December 2022	119,032	56,983	-	176,015
Net new assets originated or repaid	(64,251)	(39,532)	-	(103,783)
As at 31 December 2023	54,781	17,451	-	72,232

24 Related party transactions (continued)

Movement in provision for impairment of related party loans and advances:

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Balance as at 31 December 2023	**287**	**329**	**-**	**616**
Charge/(Release) to income statement	**(66)**	**1,013**	**-**	**947**
As at 31 December 2024	**221**	**1,342**	**-**	**1,563**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Balance as at 31 December 2022	951	2,317	-	3,268
Release to income statement	(664)	(1,988)	-	(2,652)
As at 31 December 2023	287	329	-	616

25 Derivatives

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forwards and swaps.

25.1 Derivative product types

a) Forward Contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Bank has credit exposure to the counterparties of forward contracts.

b) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

c) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

25 Derivatives (continued)

25.2 Purpose of derivatives

The Bank is a party to derivative instruments in the normal course of meeting the needs of the Bank's customers. In addition, as part of its risk management activity, the Bank uses these derivative instruments for hedging purposes in order to reduce its own exposure to current and expected risks. This is achieved by hedging specific transactions as well as strategic hedging against overall balance sheet exposures.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices actual market transactions and the Bank's best estimate of the most appropriate model inputs (Note 27).

The tables below show the fair values of derivative financial instruments for risk management and hedging purposes, recorded as Other Assets and Other Liabilities, together with their notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor credit risk.

25.2.1 Derivatives held for risk management

31 December 2024				***Notional amounts by term to maturity***			
	Positive fair value AED'000	***Negative fair value AED'000***	***Notional amount AED'000***	***Within 3 months AED'000***	***3-12 months AED'000***	***1-5 years AED'000***	***Over 5 years AED'000***
Forward contracts	**8,442**	**(10,793)**	**2,645,007**	**2,614,924**	**30,083**	**-**	**-**
Interest rate swaps	**1,355**	**(1,356)**	**630,000**	**-**	**-**	**630,000**	**-**
	9,797	**(12,149)**	**3,275,007**	**2,614,924**	**30,083**	**630,000**	**-**

31 December 2023				*Notional amounts by term to maturity*			
	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amount AED'000*	*Within 3 months AED'000*	*3-12 months AED'000*	*1-5 years AED'000*	*Over 5 years AED'000*
Forward contracts	4,311	(5,841)	2,649,252	721,977	1,651,930	275,345	-
Interest rate swaps	1,864	(1,864)	652,000	2,000	-	650,000	-
	6,175	(7,705)	3,301,252	723,977	1,651,930	925,345	-

25 Derivatives (continued)

25.2 Purpose of derivatives (continued)

25.2.1 Derivatives held for risk management (continued)

Fair value hedges of interest rate risk

The Bank uses interest rate swaps to hedge its exposure to changes in fair values of fixed-rate investments in respect of a benchmark interest rate. Interest rate swaps are matched to specific purchases of investments.

The Bank hedges interest rate risk only to the extent of benchmark interest rates. The benchmark rate is a component of interest rate risk that is observable in relevant environments. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

When fair value hedge accounting is applied by the Bank, the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using regression analysis. The assessment is based on an evaluation of the quantitative measures of the regression results.

The fair value of the swaps is disclosed in other assets (liabilities) and the carrying amount of the hedged items included in the line item 'Investments' in the statement of financial position. Fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in other operating income.

At 31 December 2024, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest risk, along with amounts relating to hedged items.

				Notional amounts by term to maturity			
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**	**Within 3 months AED'000**	**3-12 months AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**
31 December 2024							
Hedge of investments	**41,471**	**-**	**1,150,476**	**187,121**	**73,450**	**889,905**	**-**
Cross currency swap	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31 December 2023							
Hedge of investments	51,307	-	1,504,331	-	343,379	995,689	165,263
Cross currency swap	-	(3,743)	163,772	-	163,772	-	-

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totalling to AED 1,124,058 thousand (2023: AED 1,467,787 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

The Bank has recognised the following gain relating to hedge ineffectiveness calculated as follows:

	2024		*2023*	
	Change in value AED'000	**Ineffectiveness recognised in profit and loss AED'000**	Change in value AED'000	Ineffectiveness recognised in profit and loss AED'000
On hedging instruments	**(9,836)**	**-**	(19,727)	-
On hedged items	**19,737**	**9,901**	32,157	12,430

25.3 Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank. Approximately 89% (2023: 98%) of the Bank's derivative contracts are entered into with other financial institutions.

26 Contingent liabilities and commitments

Credit related commitments

The Bank's contractual amounts in respect of letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the customer satisfying the terms of the contract. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced, guarantees are called for full amount following performance failure, and that any collateral or other security is of no value. However, the total contractual amount of commitments does not necessarily represent future cash requirements since many of such commitments will expire or terminate without being funded.

The loan commitments represent the contractual commitments to make the loan. These commitments are revocable and generally have fixed expiry dates or other termination clauses. Since commitments are revocable, may expire without being drawn down, and also the conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent future cash outflow requirements.

The Bank has the following credit related commitments:

	2024 ***AED'000***	*2023* *AED'000*
Contingent liabilities		
Letters of credit	**378,897**	232,761
Guarantees	**2,259,152**	1,959,570
	2,638,049	2,192,331
Commitments		
Undrawn loan commitments	**1,930,278**	2,584,525

Movement in the gross balance of contingent liabilities

Gross carrying amount	***Stage 1*** ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
As at 31 December 2023	**1,858,206**	**199,480**	**134,645**	**2,192,331**
Changes due to financial assets recognized in the opening balance that have:				
Transferred from Stage 1	**(30,985)**	**30,852**	**133**	**-**
Transferred from Stage 2	**44,681**	**(56,721)**	**12,040**	**-**
Transferred from Stage 3	**-**	**-**	**-**	**-**
Net of originated / (expired) during the year	**553,888**	**(66,519)**	**(41,651)**	**445,718**
As at 31 December 2024	**2,425,790**	**107,092**	**105,167**	**2,638,049**

Gross carrying amount	*Stage 1* *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
As at 31 December 2022	1,987,916	242,727	137,295	2,367,938
Changes due to financial assets recognized in the opening balance that have:				
Transferred from Stage 1	(6,099)	6,099	-	-
Transferred from Stage 2	-	(435)	435	-
Transferred from Stage 3	-	-	-	-
Net of originated / (expired) during the year	(123,611)	(48,911)	(3,085)	(175,607)
As at 31 December 2023	1,858,206	199,480	134,645	2,192,331

26 Contingent liabilities and commitments (continued)

Movement in the provision for impairment of contingent liabilities

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Balance as at 31 December 2023	**4,394**	**16,667**	**68,606**	**89,667**
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	**(823)**	**823**	**-**	**-**
Transferred to lifetime ECL not credit impaired	**60**	**(4,908)**	**4,848**	**-**
Transferred to/ (from) lifetime ECL credit impaired	-	-	-	-
Transferred from lifetime ECL credit-impaired on loans and advances	-	**1,745**	**3,870**	**5,615**
Net charge to income statement (Note 22)	**(531)**	**2,237**	**3,162**	**4,869**
As at 31 December 2024	**3,100**	**16,564**	**80,486**	**100,150**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Balance as at 31 December 2022	6,416	26,113	55,389	87,918
Changes due to provisions recognized in the opening balance that have:				
Transferred to 12 month ECL	(438)	438	-	-
Transferred to lifetime ECL not credit impaired	-	-	-	-
Transferred to/ (from) lifetime ECL credit impaired	-	-	-	-
Transferred from lifetime ECL credit-impaired on loans and advances	-	-	2,546	2,546
Net charge to income statement (Note 22)	(1,584)	(9,884)	10,671	(797)
As at 31 December 2023	4,394	16,667	68,606	89,667

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

27 Risk management

Introduction

The Bank recognizes the importance of effective risk management in achieving its strategic goals and maintaining its stability and resilience. Risk is inherent in all of the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to their responsibilities.

Risk Management covers all risks including strategic, capital, credit, market & liquidity, operational, fraud, information technology and information security, reputation risks, etc., and processes from origination and assessment of risks to ongoing monitoring, control, review, maintenance and reporting of risks. It also covers roles and responsibilities of Board and Management level committees, and authorities and processes relating to risk management, internal controls, compliance and internal audit functions.

The Bank's Risk Management Strategy includes comprehensive Enterprise-wide Risk and Compliance Risk Frameworks, which are fully aligned with our Bank's Vision to drive consistent value for all stakeholders. The key strategic imperatives that drive Bank's vision include the following:

27 Risk management (continued)

Introduction (continued)

- **Sound Fundamentals and Strong Risk Bearing Capacity:** Maintaining strong financial and operational fundamentals serves as a foundation for effective risk management and supports risk bearing capacity.
- **Strategic Alignment and Enduring Partnership with Business Lines:** A risk management approach that is strategically aligned with business goals ensures a close partnership between risk management and business units to effectively manage risks.
- **Efficient Deployment of Capital, Liquidity and Provisioning:** Efficient deployment of capital, liquidity, and provisioning supports sustainable growth and minimizes risks.
- **Comprehensive and Integrated Corporate & Risk Governance Framework:** A robust corporate and risk governance framework ensures effective risk management, independent oversight, and accountability.
- **Resilient Risk Infrastructure and Strong Risk Culture:** A strong risk infrastructure and culture promotes transparency, accountability, and a proactive approach to risk management.

The Bank places a strong emphasis on the following key imperatives to ensure sound risk management practices:

Strong and Robust Governance:

The Bank has a strong and robust governance framework in place to ensure that its risk management framework is effective and that risks are managed in a controlled and transparent manner. This is achieved through the different Governance levers in the Bank that includes committees at Board and Management levels, clear rules and directions, policies and procedures, regular reporting and monitoring, and independent oversight from internal and external stakeholders.

Corporate Governance Framework

Corporate Governance framework is a set rules, processes, policies and practices by which an organization is managed and controlled by its Board of Directors (BoD) and Senior Management. Implementation and maintenance of good corporate governance helps robust decision-making and improves Strategy, Performance, Compliance and Accountability supported by ongoing monitoring and assessment. Sound corporate governance plays a fundamental role in the culture and business practices of the Bank. The Bank's corporate governance framework relates to the way the business activities of the Bank are directed and managed considering all stakeholders and role of the bank in the community. The Bank has a well-considered and established corporate governance framework which facilitates effective decision making and builds a strong relationship with stakeholders through a transparent structure that supports high quality and timely disclosures.

27.1. Risk Management Framework (Three Lines of Defence)

The Bank's risk management framework is built on three lines of defence, which work together to ensure that risks are effectively identified, assessed, monitored, and controlled:

- The **First line of defence** is the business unit, which is responsible for identifying, assessing, and managing risks in its day-to-day activities.
- The **Second line of defence** provides oversight and support to the business units in managing risks.
- The **Third line of defence** is the internal audit function, which independently assesses the effectiveness of the Bank's risk management framework and provides recommendations for improvement.

As part of the three lines of defence, the Board and Management committees are further supplemented by functions who are responsible for day-to-day monitoring of risks.

27.1.1 First Line of Defence

The first line of defence is responsible for identifying risks as part of their day-to-day business operations. This includes assessing the risks associated with each of the bank's business lines and implementing policies and procedures to manage those risks.

27.1.2 Second Line of Defence

27.1.2.1 Finance Department

Finance Department's key responsibilities as part of Second Line of Defence include monitoring and controlling financial risks, ensuring regulatory compliance, and facilitating effective risk reporting. The finance function supports a strong risk management culture within the organization by proactively identifying, measuring, and managing risks.

27 Risk management (continued)

27.1.2.2 Credit Department

The Credit Department is responsible for spearheading overall credit strategy of the bank, reviewing and approving credit proposals, ensuring compliance with credit policies and procedures, and providing assistance in ongoing monitoring of credit risk.

27.1.2.3 Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It works closely with the First Line to support their activities, while safeguarding the risk profile of the Bank. It institutes prudent risk monitoring and control mechanisms (processes and systems) to ensure compliance of individual risk assets and portfolios to agreed terms and policy parameters.

27.1.2.4 Compliance Department

The Compliance Department is responsible for defining, implementing and maintaining financial crime compliance, regulatory compliance and compliance assurance related policies and procedures to ensure independent oversight, monitoring and control processes are embedded throughout the organization. It works closely with all three lines of defence to support their activities, while challenging back and making sure the Bank operates in a compliant manner. It implements prudent compliance monitoring and control mechanisms (processes and systems) to ensure compliance with the applicable laws and regulations as well as Global best practices.

27.1.3 Third Line of Defence - Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of, and the Bank's compliance with, its procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit Committee.

UAE Central Bank has issued a number of standards and regulations on the various elements of overall Risk Management, Consumer Protection Regulation, Anti-Money Laundering, Capital adequacy and Capital Management Framework. The standards and regulations including but not limited to financial reporting, external audit, internal controls, compliance & internal audit, operational, country and transfer risk, market risk and interest rate and rate of return risk have been affected and the Bank had taken measures to adhere to the aforementioned standards and regulations to ensure compliance.

27.2.1 Roles of Board and the Executive Management

The Board of Directors is responsible for the stewardship of the Bank and providing effective leadership to supervise the Management of the bank to grow value in a profitable and sustainable manner. The Board is collectively responsible for the short term and long-term success of the Bank and delivery of sustainable value to the shareholders and wider stakeholders. It sets the strategy and the risk appetite for the Bank and approves capital and operating plans presented by Management for the achievement of strategic objectives set by the Board. The Board of Directors also define the risk tolerance of the Bank, its primary business activities and its overall strategy and plan. The roles of Board and the Executive Management are detailed below:

27.2.1.1 Board Level Committee

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate Board Committees responsible for managing, oversighting and monitoring risks.

27.2.1.2 Board Credit Committee (BCC)

The Board Credit Committee (BCC) has the responsibility to establish credit strategy and monitor the overall credit process within the Bank for maintaining a diversified portfolio, avoiding undesired risk concentrations, improving the overall asset quality of the portfolio, and complying with Credit Policy and regulatory guidelines.

27 Risk management (continued)

27.2.1.2 Governance and Remuneration Committee (GRC)

The Governance & Remuneration Committee (GRC) acts on behalf of the Board on all matters related to governance, remuneration, nomination and strategic plans, except for those powers and actions that are restricted to the Board on the basis of legal provisions or the Articles. The GRC is responsible for supporting the Board in overseeing the remuneration scheme, in order to ensure that the subject remuneration is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirement.

27.2.1.3 Board Risk & Compliance Committee (BRCC)

The Board Risk & Compliance Committee (BRCC) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, and policies for enhancing the Bank's risk and compliance management framework to best practices standards. This includes, but is not limited to, ensuring effective control structures and the monitoring of aggregate risk exposures (including but not limited to credit, market, liquidity, operational, and legal). Additionally, the BRCC is accountable for fostering a culture of compliance, including financial crime compliance matters and overseeing adherence to relevant regulatory requirements, ethical standards, and internal policies.

27.2.1.4 Board Audit Committee (BAC)

The Board Audit Committee (BAC) is responsible for monitoring, reviewing and reporting to the Board on the formal arrangements relating to the financial and narrative reporting of the Bank, internal controls, compliance and internal / external audit processes.

27.2.2 Internal Shari'ah Supervision Committee (ISSC)

The ISSC is the central independent committee which is responsible for the overall monitoring of and compliance by the Islamic Financial Institution with Islamic Shari'ah and resolutions, fatwas, regulations and standards issued by HSA. The ISSC, accordingly, is responsible for supervising and approving all businesses, activities, products, services, contracts, documents and codes of conduct of the Bank pertaining to Islamic activities. ISSC must monitor, through internal Shari'ah control division or section and internal Shari'ah audit, the Bank's compliance with Islamic Shari'ah.

27.2.3 Management Level Committees

The Board level committees are further supplemented by key management committees to ensure comprehensive risk management and governance. These committees include:

27.2.3.1 Management Committee (MANCOM)

Management Committee ("ManCom") assists the Board, Board committees and CEO in fulfilling its responsibilities towards setting and execution of overall strategy of the Bank and ensuring that the Bank's values are embedded in its day-to-day activities to ensure sustained growth, profitability and commensurate returns for its stakeholders.

27.2.3.2 Asset Liability Committee (ALCO)

Asset Liability Committee ("ALCO") assists the Board in fulfilling its responsibility towards ensuring a strong and stable balance sheet and to oversee Bank's Asset and Liability Management (ALM) strategies. The objective of ALCO will also be to maintain vigilant oversight of liquidity risk and interest rate risk with the primary goal of achieving optimal return while ensuring adequate levels of liquidity within an effective risk control framework.

27.2.3.3 Credit Portfolio Committee (CPC)

The Credit Portfolio Committee (CPC) is responsible for developing and establishing credit strategy, credit policies, setting risk acceptance criteria for underwriting and monitoring the portfolio to ensure it remains within acceptable risk levels and address any emerging credit issues or trends. The CPC works in conjunction with and assists the Board and BCC to manage credit strategy, policies, and procedures.

27 Risk management (continued)

27.2.3.4 Credit Committee (CC)s

The Credit Committee ("CC") is responsible for making credit-related decisions. The CC is charged with:

a. Reviewing and approving loan proposals, taking into account factors such as the borrower's creditworthiness, repayment capacity, and collateral.
b. Ensuring compliance with credit policies and procedures as part of ongoing underwriting process.

27.2.3.5 Risk Committee (RC)

The Risk Committee (“RC”) assists the Board and Board Risk and Compliance Committee ("BRCC") towards ensuring a sound risk profile of the Bank and instilling a culture of risk optimized decision making through implementation of comprehensive and integrated risk framework, embedding a strong internal control mechanism and ensuring compliance with all applicable regulatory requirements (including Higher Shari’ah Authority regulations).

27.2.3.6 Compliance Committee

The Compliance Committee assists the Board and the BRCC towards ensuring a strong compliance culture and adherence to all applicable compliance requirements.

27.2.3.7 Business Technology Steering Committee (BTSC)

The Business Technology Steering Committee (“BTSC”) assists the Board in fulfilling its responsibilities pertaining to outlining and execution of overall IT strategy and managing IT related and projects, related budgets, expenditures and service operation status.

27.2.3.8 Human Capital Committee (HCC)

The Human Capital Committee (“HCC”) assists the Governance and Remuneration Committee (GRC) in fulfilling its responsibilities relating to the outline and monitor matters related to the Bank's people strategy which includes Emiratisation strategy, performance and rewards, talent acquisition, management and succession planning, learning & development, HCM policies & procedures, people risk, corporate governance and statutory matters etc.

27.2.3.9 Charity Committee

The Charity Committee assists the Board and Internal Shari’ah Supervisory Control (ISSC) in fulfilling its responsibilities in managing activities pertaining to Charity.

27.2.4 Management Sub-Committees

The bank has following management subcommittees to assist management committees and senior management in discharging their duties and responsibilities.

27.2.4.1 Client Experience Forum (CEF)

The Customer Experience Forum ("CEF") supports the ManCom towards ensuring achievement of Bank’s desired customer experience levels and fulfilment of related regulatory norms. The CEF is responsible for:

a. Overseeing the bank's customer service policies and procedures, including the measurement and monitoring of customer satisfaction levels.
b. Monitoring customer feedback and using this information to make recommendations for improvements to the bank's products and services.
c. Ensuring that the bank's customer service standards are met and addressing any customer complaints in a timely and effective manner.

27 Risk management (continued)

27.2.4.2 Investment Committee (IMCO)

The Investment Committee ("IMCO") supports the Asset Liability Committee ("ALCO") and is responsible for overseeing Bank's investment strategy and execution. The IMCO is charged with:

a. Reviewing and approving investment proposals, ensuring that they align with the bank's overall investment strategy and risk tolerance.
b. Monitoring the performance of the bank's investments, including returns, market conditions, and economic indicators.
c. Ensuring that the bank's investment policies and procedures are in compliance with all applicable regulations and are regularly updated to reflect changes in the market or regulatory environment.
d. Overseeing the management of investment risks, including interest rate, credit, and market risks, and ensuring that the bank's investment portfolio is well-diversified.

27.2.4.3 ERM Committee (ERMC)

The ERM Committee ("ERMC") supports the Risk Committee ("RC") by implementing and overseeing the bank's enterprise risk management framework. The ERMC is charged with:

a. Overseeing the bank's risk management framework, including the identification, assessment, and management of risks across the bank.
b. Reviewing and approving risk limits for various types of risks, including credit, capital, market & liquidity, strategic & reputational risk etc.
c. Monitoring the bank's risk exposure and ensuring that it remains within acceptable levels, taking into account economic conditions, market trends, and internal controls.
d. Ensuring that the bank's risk management policies and procedures are in compliance with all applicable regulations and are regularly updated to reflect changes in the market or regulatory environment.

27.2.4.4 Provisioning Committee (PC)

The Provisioning Committee supports the Risk Committee ("RC") and Credit Portfolio Committee ("CPC") by reviewing and approving the provisions based on SICR criteria, transition of ratings, necessary overlays and over-rides, macro-economic variables as per IFRS 9 etc. in compliance with regulatory guidelines and credit / IFRS 9 policy. The Provisioning Committee also recommends the accounts proposed for write off as applicable, in compliance with regulatory guidelines and credit policy.

27.2.4.5 Operational Risk Management Committee (ORMC)

The Operational Risk Management Committee ("ORMC") supports the Risk Committee ("RC") and assists the RC in fulfilling its objectives of overseeing Bank's Operational and Fraud Risk Management strategy, initiatives, profile and ensuring sound Business Continuity. The ORMC is responsible for:

a. Monitoring Operational and Fraud Risks to ensure they are within acceptable levels.
b. Overseeing the implementation of Operational and Fraud Risk Management policies and procedures.
c. Ensuring that Operational and Fraud risks are identified and addressed in a timely manner.
d. Ensuring that Bank's Business Continuity strategy and plans are conducted in an effective manner.
e. Supports RC in the effective implementation of New Product Approval Policy.
f. Identify and manage Operational and Fraud risks in all new products, processes and activities.
g. Overseeing and supporting RC on complying to the Outsourcing Risk Policy and relevant regulatory obligations.

27.2.4.6 IT Risk and Information Security Committee

The IT Risk and Information Security Committee supports the Risk Committee ("RC") and assists the RC towards ensuring that Bank's information technology systems and data are secure. This includes:

a. Overseeing the bank's information security policies and procedures to ensure they are effective.
b. Monitoring cyber threats and ensuring the bank's systems are protected against them.
c. Ensuring that the bank's information technology systems are secure and operate effectively.

27 Risk management (continued)

27.2.4.7 Model Risk Management Committee (MRMC)

The Model Risk Management Committee supports the Risk Committee ("RC") and assists the RC in overseeing Bank's model risk management framework. This includes:

a. Responsible for defining and implementing the Model Risk Management framework for the bank.
b. Review and approve the methodology, processes and governance framework for the development, implementation, use and maintenance of models.
c. Ensure models are developed, validated and used in compliance with the regulatory and internal standards.
d. Monitor and report on the effectiveness of model risk management and provide recommendations for improvement.

27.2.4.8 Disciplinary Committee (DC)

The Disciplinary Committee ("DC") supports the Human Capital Committee ("HCC") towards dealing with employee misconduct and violations of Bank's policies and procedures. The DC reviews the investigation findings, evaluates employee misconduct and approves commensurate disciplinary action as per HR policy. The DC ensures that the disciplinary process is fair, transparent, and consistent and provides guidance and support to the HCM department on disciplinary matters. The DC ensures that the Bank's disciplinary policies and procedures are followed and that employees are held accountable for their actions.

27.2.4.9 Sustainability Committee (SC)

The Sustainability Committee (SC) is formed to assist the Management Committee and the Board of Directors by overseeing and advising on sustainability related strategies, practices, and policies. The Committee is committed to advancing the Bank’s sustainability objectives, ensuring that the bank operates in an environmentally responsible and socially conscious manner while considering the governance aspects that align with the Bank’s strategy and risk management framework.

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect both the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to identify, analyse and control at an early stage. The Board receives a comprehensive credit risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the credit related risks of the Bank. The report includes aggregate credit exposure, liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure all business divisions have access to extensive, necessary and up-to-date information.

Regular briefings are given to the Chief Executive Officer, Risk Committee and all other relevant members of management on all aspects of risk taken by the Bank including the utilisation of limits, proprietary investments and liquidity, plus any other risk developments.

Risk Mitigation

The Bank has implemented a comprehensive risk mitigation framework that aims to minimize the impact of potential risks on its operations, financial performance, and reputation. This includes identifying and evaluating risk, implementing risk mitigation strategies, and regularly monitoring the effectiveness of these strategies.

The Bank actively uses collateral to reduce its credit risks. Also, as part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

27 Risk management (continued)

Robust Business Continuity Framework:

The Bank's well-structured Business Continuity Framework and Policy, along with a comprehensive Crisis Management Framework and supplementary emergency plans and incident response protocols provide a strong foundation of organizational resilience against major disruptions or unexpected events, such as the COVID-19 pandemic & the unprecedented rain in UAE. These frameworks and procedures are subjected to regular testing, with a minimum frequency of annual assessments with regards to Business Impact, which provides assurance on operational resilience and its effectiveness and readiness in such scenarios.

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations, resulting in a financial loss for the Bank. As a fundamental aspect of the Bank's operations, credit risk is closely managed to ensure the financial soundness and stability. The Bank's credit risk exposures primarily arise from lending activities, trade finance, treasury operations and other activities.

Credit risk identification and assessment at the Bank is carried out through a comprehensive mechanism underpinned by robust credit policies and procedures that clearly define lending authorities, risk limits, and approval processes. As part of the credit risk monitoring and control framework, continuous risk monitoring at both the customer and portfolio levels is performed. This includes evaluating various parameters such as credit quality, provisioning levels, exposure limits, financial and operational performance, account conduct, the end-use of funds, adequacy of credit risk mitigants, adherence to covenants, recovery performance, and the effectiveness of the credit rating system.

In addition to individual credit assessments, the Bank actively monitors concentrations of credit risk by industry sector and geographic region, ensuring that exposures are diversified. Limits are also placed on large individual exposures to avoid over-concentration with any single counterparty or group of related parties. Furthermore, the Bank has established country limits to manage risks arising from exposure to specific countries, accounting for factors such as economic conditions and political stability.

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

	Notes	**2024** **AED'000**	2023 AED'000
Cash and balances with UAE Central Bank (excluding cash on hand)	5	**2,176,540**	1,963,426
Due from banks	6	**585,368**	456,768
Loans and advances	7	**12,074,128**	10,011,935
Investments	8	**6,006,298**	5,091,561
Acceptances		**422,990**	203,728
Other assets*	10	**403,534**	281,857
*excluding prepayments and assets acquired in settlement of debt and lease assets			
Total		**21,668,858**	18,009,275
Letters of credit	26	**378,897**	232,761
Guarantees	26	**2,259,152**	1,959,570
Undrawn loan commitments	26	**1,930,278**	2,584,525
Total		**4,568,327**	4,776,856
Total credit risk exposure		**26,237,185**	22,786,131

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

27 Risk management (continued)

Credit Risk (continued)

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client / counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2024 was AED 1,052,369 thousand (2023: AED 659,959 thousand).

The Bank's maximum exposure to credit risk, before provisions and taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2024		2023	
	Assets AED'000	***Contingent liabilities and commitments AED'000***	*Assets AED'000*	*Contingent liabilities and commitments AED'000*
United Arab Emirates	**15,031,702**	**4,515,148**	13,934,390	4,657,732
Other Middle East countries	**2,811,152**	**7,890**	1,952,373	6,780
Europe	**1,527,117**	**41,364**	561,279	14,425
USA	**224,658**	**-**	178,387	-
Rest of the World	**2,074,229**	**3,925**	1,382,846	97,919
Total	**21,668,858**	**4,568,327**	18,009,275	4,776,856

An industry sector analysis of the Bank's maximum exposure to credit risk (excluding cash on hand) after provisions but before taking into account collateral held or other credit enhancements, is as follows:

	2024 AED'000	*2023 AED'000*
Real Estate	**1,958,608**	1,661,928
Personal-Retail Mortgage	**1,603,185**	765,140
Government and public sector	**4,397,853**	4,101,047
Trade	**1,284,907**	1,027,534
Personal loans (retail and business)	**849,273**	1,178,968
Manufacturing	**803,319**	790,076
Construction	**192,124**	266,257
Services	**1,797,360**	1,810,233
Financial services	**7,812,515**	5,910,397
Others	**969,714**	497,695
	21,668,858	18,009,275
Less: Provisions	**(550,235)**	(657,086)
	21,118,623	17,352,189

Past due but not impaired

Past due loans and advances include those that are past due on their repayment schedule. Aging analysis for outstanding of loans and advances which past due but not impaired are as follows:

31 December 2024	***Less than 30 days AED'000***	***31 to 60 days AED'000***	***61 to 90 days AED'000***	***More than 91 days AED'000***	***Total AED'000***
Loans and advances	**32,780**	**269**	**628**	**224**	**33,901**
31 December 2023					
Loans and advances	30,025	281	325	1,742	32,373

Approximately 97% (2023: 97%) of the above loans are advanced to the corporate sector.

27 Risk management (continued)

Credit Risk (continued)

Loans and advances and Islamic financing receivables with renegotiated terms

Loans and advances and Islamic financing receivables with renegotiated terms are those which have been rescheduled or restructured and where the Bank has made concessions that it would otherwise not consider.

The gross amount as per class of on-balance sheet financial assets whose terms have been renegotiated are as follows:

	2024	*2023*
	AED'000	*AED'000*
Loans and advances and Islamic financing receivables	**332,673**	524,824

	Stage 1	***Stage 2***	***Stage 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Outstanding balance	**36,224**	**107,749**	**188,700**	**332,673**
Less: Provision for impairment	**(8,627)**	**(65,037)**	**(143,559)**	**(217,223)**
As at 31 December 2024	**27,597**	**42,712**	**45,141**	**115,450**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Outstanding balance	14,636	206,496	303,694	524,824
Less: Provision for impairment	(384)	(113,240)	(189,656)	(303,280)
As at 31 December 2023	14,252	93,256	114,038	221,544

Collateral and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The main types of collateral obtained are cash, securities, charges over real estate properties, vehicles, plant and machinery, inventory and trade receivables. The Bank also obtains guarantees from parent companies for loans to their subsidiaries or other Bank companies. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Collateral is generally not held against non-trading investment and due from banks and financial institutions. Management monitors the market value of collateral and wherever necessary the Bank requests additional collateral in accordance with the underlying agreement, and considers collateral value during its periodic review of credit facilities and adequacy of provision for impairment on loans and advances.

For each loan, the value of disclosed collateral is capped to the nominal amount of the loan. The percentage of collateralized exposure and the principal types of collateral held against loans and advances are as follows:

	Percentage of collateralized exposure		
	2024	*2023*	***Principal type of collateral held***
Retail Mortgage Loans	**97%**	98%	Residential property
Corporate customers	**34%**	41%	Cash, securities, vehicles, property and equipment, commercial property, inventory and trade receivables

27 Risk management (continued)

Credit Risk (continued)

Retail mortgage loans

Credit exposure on retail mortgage loans by range of loans to value (LTV) ratio are as follows:

	2024	*2023*
	AED'000	*AED'000*
LTV ratio		
Less than 50%	**648,700**	460,003
51- 75%	**656,300**	247,155
76- 90%	**290,991**	40,277
91- 100%	**7,194**	10,809
More than 100%	**-**	6,896
Total	**1,603,185**	765,140

LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

Impaired loans

For impaired loans the value of collateral is based on the most recent appraisals. Credit exposure on impaired retail mortgage loans by range of LTV ratio are as follows:

	2024	*2023*
	AED'000	*AED'000*
LTV ratio		
Less than 50%	**5,075**	8,254
51- 75%	**10,706**	7,439
More than 75%	**12,459**	19,702
Total	**28,240**	35,395

Collateral and other credit enhancements

Retail customers

At 31 December 2024, the carrying amount of impaired loans and advances to retail customers (including mortgages) amounted to AED 37,173 thousand (2023: AED 46,922 thousand) and the fair value of identifiable collateral (after haircut) held against those loans and advances amounted to AED 15,272 thousand (2023: AED 30,298 thousand).

Corporate customers

At 31 December 2024, the net carrying amount of impaired loans and advances to corporate customers amounted to AED 428,061 thousand (2023: AED 449,740 thousand) and the fair value of identifiable collateral (after haircut) (mainly commercial properties) held against those loans and advances amounted to AED 234,872 thousand (2023: AED 308,986 thousand).

For each loan, the value of disclosed collateral is capped to the nominal amount of the loan.

27 Risk management (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management have arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Central Bank of UAE equal to 14% of current deposits and 1% of time deposits (2023: 11% of current deposits and 1% of time deposits). In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The most important of these is to maintain the regulatory limits for Lending to Stable Resources and Eligible Liquid Assets to total liabilities ratios. The Bank stresses the importance of current accounts, time deposits and savings accounts as a source of funds to finance its lending to customers. They are monitored using the lending to stable resources ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with medium term borrowing. Eligible Liquid Assets ratio was introduced by Central Bank of the UAE in 2015 and replaced the Liquid Assets ratio. Eligible liquid assets consist of cash, balances with the Central Bank of UAE, short term bank deposits and eligible debt securities. The ratios as at the year-end were as follows:

	2024	*2023*
Lending to Stable Resources Ratio	**75.5%**	75.7%
Eligible Liquid Assets Ratio	**17.0%**	20.0%

27 Risk management (continued)

Liquidity risk (continued)

Maturities of assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date not taking account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds, as at 31 December 2024 is as follows:

	Less than 3 months AED'000	*From 3 months to 6 months AED'000*	*From 6 months to 12 months AED'000*	*Sub total less than 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Subtotal over 12 months AED'000*	*Undated AED'000*	*Total AED'000*
Assets									
Cash and balances with the UAE Central Bank	**2,225,224**	**-**	**-**	**2,225,224**	**-**	**-**	**-**	**-**	**2,225,224**
Due from banks, net	**585,146**	**-**	**-**	**585,146**	**-**	**-**	**-**	**-**	**585,146**
Loans and advances (Gross)	**2,722,341**	**765,357**	**992,380**	**4,480,078**	**3,393,777**	**4,200,273**	**7,594,050**	**-**	**12,074,128**
Investments, net	**536,972**	**46,903**	**110,415**	**694,290**	**3,138,564**	**2,171,202**	**5,309,766**	**925**	**6,004,981**
Property, equipment and capital work-in-progress	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**204,207**	**204,207**
Customer Acceptances	**234,353**	**163,644**	**24,993**	**422,990**	**-**	**-**	**-**	**-**	**422,990**
Other assets, net	**399,124**	**213**	**3,483**	**402,820**	**89,755**	**-**	**89,755**	**-**	**492,575**
Provision for impairment of loans- and advances and interest in suspense	**(547,771)**	**-**	**-**	**(547,771)**	**-**	**-**	**-**	**-**	**(547,771)**
Total assets	**6,155,389**	**976,117**	**1,131,271**	**8,262,777**	**6,622,096**	**6,371,475**	**12,993,571**	**205,132**	**21,461,480**
Liabilities and equity									
Due to banks	**2,615,380**	**680,974**	**300,000**	**3,596,354**	**-**	**-**	**-**	**-**	**3,596,354**
Customer deposits	**9,091,887**	**2,237,354**	**2,124,182**	**13,453,423**	**123,612**	**-**	**123,612**	**-**	**13,577,035**
Medium term borrowing	**-**	**-**	**734,600**	**734,600**	**-**	**-**	**-**	**-**	**734,600**
Customer Acceptances	**234,353**	**163,644**	**24,993**	**422,990**	**-**	**-**	**-**	**-**	**422,990**
Other liabilities	**502,863**	**11,127**	**41,972**	**555,962**	**1,357**	**-**	**1,357**	**21,697**	**579,016**
Equity	**-**	**-**	**-**	**-**	**550,875**	**-**	**550,875**	**2,000,610**	**2,551,485**
Total liabilities and equity	**12,444,483**	**3,093,099**	**3,225,747**	**18,763,329**	**675,844**	**-**	**675,844**	**2,022,307**	**21,461,480**
Net liquidity gap	**(6,289,094)**	**(2,116,982)**	**(2,094,476)**	**(10,500,552)**	**5,946,252**	**6,371,475**	**12,317,727**	**(1,817,175)**	**-**

27 Risk management (continued)

Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2023 was as follows:

	Less than 3 months AED'000	*From 3 months to 6 months AED'000*	*From 6 months to 12 months AED'000*	*Sub total less than 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Subtotal over 12 months AED'000*	*Undated AED'000*	*Total AED'000*
Assets									
Cash and balances with the UAE Central Bank	2,001,080	-	-	2,001,080	-	-	-	-	2,001,080
Due from banks, net	456,567	-	-	456,567					456,567
Loans and advances (Gross)	2,687,771	424,558	833,594	3,945,923	3,138,506	2,927,506	6,066,012	-	10,011,935
Investments, net	360,617	325,088	286,472	972,177	2,129,501	1,987,637	4,117,138	546	5,089,861
Property, equipment and capital work-in-progress	-	-	-	-	-	-	-	181,351	181,351
Customer Acceptances	153,088	38,400	12,240	203,728	-	-	-	-	203,728
Other assets, net	245,101	2,791	3,541	251,433	96,882	9,653	106,535	-	357,968
Provision for impairment of loans- and advances and interest in suspense	(654,642)	-	-	(654,642)	-	-	-	-	(654,642)
Total assets	5,249,582	790,837	1,135,847	7,176,266	5,364,889	4,924,796	10,289,685	181,897	17,647,848
Liabilities and equity									
Due to banks	2,993,809	178,169	557,457	3,729,435	-	-	-	-	3,729,435
Customer deposits	5,565,975	1,519,998	2,855,903	9,941,876	295,626	-	295,626	-	10,237,502
Medium term borrowing	-	-	-	-	734,600	-	734,600	-	734,600
Customer Acceptances	153,088	38,400	12,240	203,728	-	-	-	-	203,728
Other liabilities	406,291	11,110	14,604	432,005	1,947	-	1,947	18,886	452,838
Equity	-	-	-	-	550,875	-	550,875	1,738,870	2,289,745
Total liabilities and equity	9,119,163	1,747,677	3,440,204	14,307,044	1,583,048	-	1,583,048	1,757,756	17,647,848
Net liquidity gap	(3,869,581)	(956,840)	(2,304,357)	(7,130,778)	3,781,841	4,924,796	8,706,637	(1,575,859)	-

27 Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial Liabilities	***Carrying amount AED'000***	***On demand AED'000***	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2024							
Due to banks	**3,596,354**	**42,128**	**2,493,458**	**440,269**	**673,533**	**-**	**3,649,388**
Customer deposits	**13,577,035**	**4,402,997**	**4,772,838**	**4,532,257**	**135,298**	**-**	**13,843,390**
Medium term borrowings	**734,600**	**-**	**11,557**	**769,271**	**-**	**-**	**780,828**
Customer Acceptances	**422,990**	**-**	**234,353**	**188,637**	**-**	**-**	**422,990**
Other liabilities	**559,687**	**323,104**	**204,701**	**31,882**	**-**	**-**	**559,687**
Financial derivatives	**76,284**	**-**	**7,976**	**19,604**	**48,704**	**-**	**76,284**
Total undiscounted financial liabilities	**18,966,950**	**4,768,229**	**7,724,883**	**5,981,920**	**857,535**	**-**	**19,332,567**

Financial Liabilities	*Carrying amount AED'000*	*On demand AED'000*	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2023							
Due to banks	3,729,435	57,725	2,973,699	772,170	-	-	3,803,594
Customer deposits	10,237,502	3,566,569	2,041,132	4,587,313	320,635	-	10,515,649
Medium term borrowings	734,600	-	11,557	34,671	780,829	-	827,057
Customer Acceptances	203,728	-	153,088	50,640	-	-	203,728
Other liabilities	433,110	270,811	162,299	-	-	-	433,110
Financial derivatives	114,696	-	10,435	27,498	73,912	2,851	114,696
Total undiscounted financial liabilities	15,453,071	3,895,105	5,352,210	5,472,292	1,175,376	2,851	15,897,834

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, these amounts may be settled gross or net. The following table shows the corresponding carrying amounts.

	On demand AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2024						
Inflows	**-**	**12,338**	**29,128**	**68,085**	-	**109,551**
Outflows	**-**	**(7,976)**	**(19,604)**	**(48,704)**	-	**(76,284)**
Net	**-**	**4,362**	**9,524**	**19,381**	-	**33,267**
Discounted at applicable interbank rates	**-**	**(4,174)**	**(9,123)**	**(18,594)**	-	**(31,891)**

27 Risk management (continued)

Liquidity risk (continued)

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2023						
Inflows	-	20,050	49,700	96,667	3,484	169,901
Outflows	-	(10,435)	(27,498)	(73,912)	(2,851)	(114,696)
Net	-	9,615	22,202	22,755	633	55,205
Discounted at applicable interbank rates	-	(9,103)	(21,095)	(21,885)	(611)	(52,694)

The table below shows the contractual maturity profile of the Bank's contingent liabilities and commitments:

	On demand AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2024						
Contingent liabilities	-	**2,164,653**	**299,968**	**173,428**	-	**2,638,049**
Commitments	**1,930,278**	-	-	-	-	**1,930,278**
Total	**1,930,278**	**2,164,653**	**299,968**	**173,428**	-	**4,568,327**
31 December 2023						
Contingent liabilities	-	1,618,387	253,643	320,301	-	2,192,331
Commitments	2,584,525	-	-	-	-	2,584,525
Total	2,584,525	1,618,387	253,643	320,301	-	4,776,856

The Bank expects that not all of the contingent liabilities or commitments will be drawn and therefore the actual cash flows are expected to be significantly lower than those reflected in the above table.

Market risk

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The Board has set limits on the value of risk that may be accepted. This is monitored on a regular basis by the Bank's Asset and Liability Committee (ALCO).

27 Risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities.

The following table summarises interest rate sensitivity position at the year end. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Non Interest Sensitive AED'000*	*Carrying amount AED'000*
31 December 2024						
Assets						
Cash and balances with the UAE Central Bank	**1,950,000**	**-**	**-**	**-**	**275,224**	**2,225,224**
Due from banks, net	**300,000**	**-**	**-**	**-**	**285,146**	**585,146**
Loans and advances, net	**7,308,884**	**1,395,542**	**2,390,450**	**431,481**	**-**	**11,526,357**
Investments, net	**536,972**	**157,316**	**3,102,029**	**2,207,739**	**925**	**6,004,981**
Property, equipment and capital work-in-progress	**-**	**-**	**-**	**-**	**204,207**	**204,207**
Customer Acceptances	**-**	**-**	**-**	**-**	**422,990**	**422,990**
Other assets, net	**-**	**-**	**-**	**-**	**492,575**	**492,575**
Total assets	**10,095,856**	**1,552,858**	**5,492,479**	**2,639,220**	**1,681,067**	**21,461,480**
Liabilities and equity						
Due to banks	**2,573,252**	**980,974**	**-**	**-**	**42,128**	**3,596,354**
Customer deposits	**4,762,136**	**4,324,314**	**105,805**	**-**	**4,384,780**	**13,577,035**
Medium term borrowings	**734,600**	**-**	**-**	**-**	**-**	**734,600**
Customer Acceptances	**-**	**-**	**-**	**-**	**422,990**	**422,990**
Other liabilities	**-**	**-**	**-**	**-**	**579,016**	**579,016**
Equity	**-**	**-**	**550,875**	**-**	**2,000,610**	**2,551,485**
Total liabilities and equity	**8,069,988**	**5,305,288**	**656,680**	**-**	**7,429,524**	**21,461,480**
On-balance sheet	**2,025,868**	**(3,752,430)**	**4,835,799**	**2,639,220**	**(5,748,457)**	**-**
Off-balance sheet	**1,780,476**	**-**	**-**	**-**	**2,645,007**	**4,425,483**
Cumulative interest rate sensitivity gap	**3,806,344**	**53,914**	**4,889,713**	**7,528,933**	**4,425,483**	**-**

27 Risk management (continued)

Interest rate risk (continued)

31 December 2023	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Non Interest Sensitive AED'000*	*Carrying amount AED'000*
Assets						
Cash and balances with the UAE Central Bank	1,650,000	-	-	-	351,080	2,001,080
Due from banks, net	200,000	-	-	-	256,567	456,567
Loans and advances, net	6,384,668	1,126,856	1,349,548	496,221	-	9,357,293
Investments, net	360,618	586,251	2,093,360	2,049,090	542	5,089,861
Property, equipment and capital work-in-progress	-	-	-	-	181,351	181,351
Customer Acceptances	-	-	-	-	203,728	203,728
Other assets, net	-	-	-	-	357,968	357,968
Total assets	8,595,286	1,713,107	3,442,908	2,545,311	1,351,236	17,647,848
Liabilities and equity						
Due to banks	2,936,085	735,625	-	-	57,725	3,729,435
Customer deposits	2,052,344	4,343,939	280,923	-	3,560,296	10,237,502
Medium term borrowings	734,600	-	-	-	-	734,600
Customer Acceptances	-	-	-	-	203,728	203,728
Other liabilities	-	-	-	-	452,838	452,838
Equity	-	-	550,875	-	1,738,870	2,289,745
Total liabilities and equity	5,723,029	5,079,564	831,798	-	6,013,457	17,647,848
On-balance sheet	2,872,257	(3,366,457)	2,611,110	2,545,311	(4,662,221)	-
Off-balance sheet	2,320,102	-	-	-	2,813,023	5,133,125
Cumulative interest rate sensitivity gap	5,192,359	1,825,902	4,437,012	6,982,323	5,133,125	-

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2024, including the effect of hedging instruments.

	2024		2023	
	Change in basis points	**Sensitivity of net interest income AED'000**	Change in basis points	Sensitivity of net interest income AED'000
Increase in rate	**+25**	**1,645**	+25	2,337
Decrease in rate	**-25**	**(1,645)**	-25	(2,337)

The interest rate sensitivity set out above relates primarily to the US Dollar as the Bank does not have any significant net exposure for non-trading floating rate financial assets and financial liabilities denominated in other currencies.

The Bank is also exposed to fair value risk arising from its unhedged fixed rate bonds portfolio. A change in the fair value of these bonds by +/-5% will result in a positive/negative change in the fair value reserve in equity by AED 5,850 thousand (2023: AED 7,189 thousand).

27 Risk management (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

As the UAE Dirham and most of the GCC currencies are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2024 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AED, with all other variables held constant on the statement of income (due to the fair value of currency sensitive monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	2024		*2023*	
Currency	***Change in currency rate in %***	***Effect on profit AED'000***	*Change in currency rate in %*	*Effect on profit AED'000*
EUR	**+10/-10**	**158/(158)**	+10/-10	58/(58)
GBP	**+10/-10**	**81/(81)**	+10/-10	16/(16)

Concentration of assets and liabilities by currency

	AED AED'000	***USD AED'000***	***Other AED'000***	***Total AED'000***
Cash and balances with UAE Central Bank	**2,225,224**	**-**	**-**	**2,225,224**
Due from banks, net	**311,596**	**230,884**	**42,666**	**585,146**
Loans and advances and Islamic financing receivables, net	**7,747,905**	**3,638,810**	**139,642**	**11,526,357**
Investments and Islamic instruments, net	**347,704**	**5,657,277**	**-**	**6,004,981**
Property, equipment and capital work-in-progress	**204,207**	**-**	**-**	**204,207**
Customer Acceptances	**92,514**	**310,024**	**20,452**	**422,990**
Other assets, net	**380,792**	**110,820**	**963**	**492,575**
Total assets	**11,309,942**	**9,947,815**	**203,723**	**21,461,480**
Due to banks	**1,213,727**	**2,382,627**	**-**	**3,596,354**
Customer deposits and Islamic customer deposits	**10,461,553**	**2,826,656**	**288,826**	**13,577,035**
Medium term borrowings	**734,600**	**-**	**-**	**734,600**
Customer Acceptances	**92,514**	**310,024**	**20,452**	**422,990**
Other liabilities	**505,486**	**71,409**	**2,071**	**578,966**
Total liabilities	**13,007,880**	**5,590,716**	**311,349**	**18,909,945**
Net Equity	**2,281,983**	**269,452**	**50**	**2,551,485**
Net balance sheet position	**(3,979,921)**	**4,087,647**	**(107,676)**	**50**
Off-balance sheet position	**1,455,240**	**(1,574,407)**	**117,163**	**(2,004)**

27 Risk management (continued)

Currency risk (continued)

	AED *AED'000*	*USD* *AED'000*	*Other* *AED'000*	*Total* *AED'000*
Cash and balances with UAE Central Bank	2,001,080	-	-	2,001,080
Due from banks, net	217,371	178,518	60,678	456,567
Loans and advances and Islamic financing receivables, net	6,843,318	2,204,096	309,879	9,357,293
Investments and Islamic instruments, net	458,150	4,631,711	-	5,089,861
Property, equipment and capital work-in-progress	181,351	-	-	181,351
Customer Acceptances	105,683	66,939	31,106	203,728
Other assets, net	271,494	85,288	1,186	357,968
Total assets	10,078,447	7,166,552	402,849	17,647,848
Due to banks	856,993	2,748,258	124,184	3,729,435
Customer deposits and Islamic customer deposits	8,926,388	1,062,379	248,735	10,237,502
Medium term borrowings	734,600	-	-	734,600
Customer Acceptances	105,683	66,939	31,106	203,728
Other liabilities	446,927	-	5,847	452,774
Total liabilities	11,070,591	3,877,576	409,872	15,358,039
Net Equity	1,921,050	368,644	51	2,289,745
Net balance sheet position	(2,913,194)	2,920,332	(7,074)	64
Off-balance sheet position	1,754,029	(2,091,743)	341,113	3,399

28 Operational risk

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

29 Segmental Information

For the purposes of reporting to the chief operating decision makers, the Bank is organized into three segments:

Wholesale banking	-	principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Retail banking	-	principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services
Treasury and capital markets	-	principally managing the Bank's portfolio of investments and interbank treasury operations including transactions for foreign exchange, derivatives, margin FX and hedging strategies

29 Segmental Information (continued)

Segmental information for the year ended 31 December 2024 is as follows:

	Wholesale banking AED'000	***Retail banking AED'000***	***Treasury and capital markets AED'000***	***Total AED'000***
Net interest income and income from Islamic products net of distribution to depositors	**265,184**	**45,841**	**155,530**	**466,555**
Other operating income	**96,755**	**8,877**	**33,616**	**139,248**
Operating expenses	**(179,103)**	**(58,098)**	**(80,657)**	**(317,858)**
Net impairment losses	**29,178**	**13,524**	**124**	**42,826**
Net profit for the year before tax	**212,014**	**10,144**	**108,613**	**330,771**
Capital expenditure				
- Property and equipment	**22,499**	**4,501**	**19,007**	**46,007**
As at 31 December 2024				
Segment assets	**11,529,908**	**2,302,775**	**7,628,797**	**21,461,480**
Segment liabilities	**12,697,027**	**2,964,978**	**3,247,990**	**18,909,995**

Segmental information for the year ended 31 December 2023 was as follows:

	Wholesale banking AED'000	*Retail banking AED'000*	*Treasury and capital markets AED'000*	*Total AED'000*
Net interest income and income from Islamic products net of distribution to depositors	208,898	57,989	128,051	394,938
Other operating income	115,652	14,801	51,068	181,521
Operating expenses	(160,421)	(51,458)	(72,922)	(284,801)
Net impairment losses	(26,813)	(8,531)	(1,005)	(36,349)
Net profit for the year before tax	137,316	12,801	105,192	255,309
Capital expenditure				
- Property and equipment	11,436	1,472	9,774	22,682
As at 31 December 2023				
Segment assets	10,070,727	1,289,839	6,287,282	17,647,848
Segment liabilities	9,577,061	2,193,662	3,587,380	15,358,103

The Bank operates in only one geographic area, the Middle East. Accordingly, no further geographical analysis of operating income, net profit and net assets is given.

30 Fair values of financial instruments

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 - techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial instruments and assets recorded at fair value

The following table shows an analysis of financial instruments and assets recorded at fair value by level of the fair value hierarchy:

31 December 2024	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	**42,826**	-	**42,826**
Forward contracts	-	**8,442**	-	**8,442**
	-	**51,268**	-	**51,268**

31 December 2024	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial investments FVOCI				
Quoted investments				
Government debt securities	**1,572,776**	-	-	**1,572,776**
Other debt securities	**2,728,855**	-	-	**2,728,855**
Equities				
Unquoted Investments				
Equities	-	-	**925**	**925**
	4,301,631	-	**925**	**4,302,556**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	**1,356**	-	**1,356**
Forward contracts	-	**10,793**	-	**10,793**
Currency swaps	-	-	-	-
	-	**12,149**	-	**12,149**

30 Fair values of financial instruments (continued)

Financial instruments and assets recorded at fair value (continued)

31 December 2023	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	53,171	-	53,171
Forward contracts	-	4,311	-	4,311
	-	57,482	-	57,482
Financial investments FVOCI				
Quoted investments				
Government debt securities	1,413,622	-	-	1,413,622
Other debt securities	2,443,903	-	-	2,443,903
Equities				
Unquoted Investments				
Equities	-	-	542	542
	3,857,525	-	542	3,858,067
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	1,864	-	1,864
Forward contracts	-	5,841	-	5,841
Currency swaps	-	3,743	-	3,743
	-	11,448	-	11,448

The following is a description of the determination of fair value for financial instruments and assets which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

30.1 Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency options and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

30.2 Financial investments

Financial investments valued using a valuation technique or pricing models primarily consist of unquoted equities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

30.3 Movements in level 3 financial instruments measured at fair value

There was no other movement between the levels of financial instruments during the year (2023: AED Nil).

30.4 Gains or losses on level 3 financial instruments included in the profit or loss for the year:

No gains or losses on level 3 financial instruments were included in the profit or loss for the year (2023: AED Nil).

30 Fair values of financial instruments (continued)

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

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

30.6 Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with the UAE Central Bank, due from other banks, loans and advances, investments held at amortised cost, customer acceptances, other assets (excluding derivative assets), properties, equipment and capital work in progress due to banks, customer deposits, medium term borrowings and other liabilities (excluding derivative liabilities) that are categorised as level two based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

30.6.1 Asset for which fair value approximates carrying value

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

30.6.2 Financial instruments carried at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 31 December 2024 amounted to AED 1,705,409 thousand (2023: AED 1,237,044 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

31 Capital adequacy

The Bank actively manages its capital to ensure that inherent risks in the business are adequately covered. The capital management process is aligned to the overall business strategy and within the Bank’s capital risk appetite complying with the capital requirements set by the CBUAE. The primary objectives of the Bank’s capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholders’ value.

The Bank uses the standardised approach for calculating its capital requirements for credit risk. Based on the asset class of the exposure and external credit ratings of the exposure or counterparty from designated credit rating agencies, wherever available, the appropriate risk weights are determined. For the regulatory market risk capital requirements, the Bank uses the standardised approach. For operational risk, the capital requirement is calculated using the basic indicator approach, which is a simple percentage of average positive gross revenues over the last three financial years.

The Bank manages its capital base and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital base, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

31 Capital adequacy (continued)

Capital structure

The table below details the regulatory capital resources of the Bank:

	2024	*2023*
	AED'000	*AED'000*
Share capital	**2,062,550**	2,062,550
Statutory reserve	**107,042**	76,946
Special reserve	**78,118**	48,022
General reserve	**9,311**	9,311
Fair value reserves on investment securities at FVOCI	**(98,231)**	(119,170)
Accumulated losses	**(155,172)**	(334,904)
Regulatory deduction	**(27,581)**	(14,170)
Total CET 1	**1,976,037**	1,728,585
Tier 1 instrument	**550,875**	550,875
Total Tier 1 capital	**2,526,912**	2,279,460
Tier 2 Capital		
Eligible general provision	**182,045**	149,459
Total Regulatory Capital	**2,708,957**	2,428,919

	2024	2023
	AED'000	AED'000
Risk weighted exposures		
Credit Risk	**14,563,582**	11,956,705
Operational Risk	**983,100**	842,154
Market Risk	**10,312**	6,507
Total Risk weighted exposures	**15,556,994**	12,805,366

The Capital Adequacy Ratio as per Basel III capital regulation is given below:

Capital Ratios

	2024	2023
	%	%
Common equity Tier 1 capital ratio	**12.7%**	13.5%
Tier 1 capital ratio	**16.2%**	17.8%
Total capital adequacy ratio	**17.4%**	19.0%

32 Social contribution

Social contributions (including donations and charity) made during the year to various beneficiaries amounts to AED 210 thousand (2023: AED 65 thousand).

33 Zakat

The articles of association of the Bank do not require the Bank to pay zakat on behalf of its shareholders. Consequently, distribution of the zakat is the responsibility of the shareholders of the Bank.

34 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the information available, no material adverse impact on the financial position of the Bank is expected to arise from legal claims as at 31 December 2024 other than to the extent already provided, hence no additional provision for any claim needs to be made in these financial statements.

35 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these financial statements.