Emirates Investment Bank P.J.S.C.

Report and financial statements

For the year ended 31 December 2024

Emirates Investment Bank P.J.S.C.

Report and financial statements for the year ended 31 December 2024

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EMIRATES INVESTMENT BANK

REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 December 2024

The Directors are pleased to place before the shareholders of Emirates Investment Bank PJSC (the "Bank") the financial statements for the year ended 31 December 2024.

In line with the Bank's focus of serving the needs of high-net-worth individuals and corporates, we were comforted during 2024 with tangible signs of success in implementing our strategy. We increased our client assets by 38% by onboarding new local and international wealth management client relationships, while continuing to build the infrastructure required for growth.

FINANCIAL PERFORMANCE

The Bank closed 2024 with an annual net profit of AED 108.7 million owing to continued expansion in net interest and investment income in this high interest rate environment and increased client fee and commission income demonstrating our ongoing strategic focus on deepening client relationships This compares with an annual net profit in 2023 of AED 107.5 million. The operating income of the Bank increased by 30% amounting to AED 210.5 million (AED 161.4 million in 2023).

During 2024, total client assets with the Bank increased by 38% to AED 10,215 million (2023: AED 7,412 million). The value of the Bank's fiduciary assets increased by 55% to AED 6,538 million (2023: AED 4,216 million) while customer deposits increased by 16% to reach AED 3,678 million (2023: AED 3,196 million). Total balance sheet assets reached AED 5,118 million, an increase of 13% over the previous year (2023: AED 4,540 million).

The Capital Adequacy Ratio (CAR) of the Bank at 51.5% at 31 December 2024 (2023: 57.4%).

The fundamentals of the Bank remain sound, as demonstrated by the Capital Adequacy Ratio and the client assets, and the Bank is well positioned to benefit from the continuing emergence of the UAE as a globally recognized financial center attracting businesses and talent from across the world.

PROPOSED APPROPRIATIONS

The Directors also propose the following appropriations from retained earnings:

	AED'000
Transfer to statutory reserve	**10,871**
Transfer to impairment reserve-general	**4,526**

The Directors recommend not to distribute dividends to the shareholders in order to facilitate the growth strategy of the Bank.

BOARD AND BOARD COMMITTEE MEETINGS DURING 2024

Board of Directors

Mr. Omar Abdullah Al Futtaim	Chairman
Mr. Hamad Omar Al Futtaim	Director
Mrs. Mira Omar Al Futtaim	Director
Mr. Khalid Salim Al-Halyan	Director
Mr. Deepak S Parekh	Director
Mr. Edward Quinlan	Director
Mr. Eric Shehadeh	Director

Total number of meetings: 6.

Emirates Investment Bank pjsc
P O Box 5503, Dubai
Dubai Festival City, UAE

T +971 4 231 77 77
F +971 4 231 77 88

AUDITORS

Ernst and Young Middle East (Dubai Branch) were appointed as auditors of the Emirates Investment Bank PJSC for the financial year 2024 at the Annual General Meeting held on 30 April 2024.

As we continue our growth journey, we extend our gratitude to our clients for their support and to our staff for their dedication and hard work. We also express our special thanks and highest consideration to the Central Bank of the UAE for the support the Bank has received throughout 2024.

On behalf of the Board

Mr. Omar Abdullah Al Futtaim
Chairman

Dubai, United Arab Emirates
10 February 2025

Shape the future with confidence

ERNST & YOUNG MIDDLE EAST (DUBAI BRANCH)
P.O. Box 9267
ICD Brookfield Place, Ground Floor
Al-Mustaqbal Street
Dubai International Financial Centre
Emirate of Dubai, United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
https://www.ey.com

P.L. No. 108937

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INVESTMENT BANK P.J.S.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Emirates Investment Bank P.J.S.C. (the "Bank") which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity 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 as issued by the International Accounting Standards Board (IASB).

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") on financial assets The balance of loss allowances on financial assets 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 financial assets has increased significantly since their initial recognition, and then applies a three-stage impairment model to calculate the ECL. Financial assets are classified as stage 1 (no significant increase in credit risk) and stage 2 (with significant increase in credit risk), and 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. In respect of financial assets classified as stage 3 (default and credit-impaired), loss allowances are assessed by estimating the future discounted cash flows from the financial assets. 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 obtained an understanding of management's assessment of impairment of financial assets, the Bank's credit impairment provision policy and the ECL modelling methodology. We performed process walkthroughs to identify the controls over the ECL process. We tested the design and operational effectiveness of the internal controls relating to the measurement of ECL. We performed the following substantive audit procedures on the computation and reasonableness of the ECL included in the Bank's financial statements: - Evaluated the reasonableness and appropriateness of the IFRS 9 methodology and assumptions used in various components of ECL modelling. This typically included evaluating 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 selected samples, we performed procedures to determine whether significant increase in credit risk have been identified. - For a sample of exposures, we checked the Bank's application of the staging criteria including the basis for movement between stages.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
EMIRATES INVESTMENT BANK P.J.S.C. (continued)

Report on the audit of the financial statements (continued)

Key audit matter (continued)

Key audit matter	*How our audit addressed the key audit matter*
Refer to Note 5 to the financial statements for the material accounting policy and Note 28 for the credit risk disclosures. We considered ECL for financial assets as a key audit matter as the determination of ECL involves significant management judgement such as categorisation of financial assets 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, evaluated management's selection of economic indicators, scenarios and application of weightings; assessed the appropriateness of the prediction of economic indicators and performed sensitivity analysis. - For selected samples, we examined key data inputs into the ECL models. - We performed an independent credit assessment for a sample of 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 re-performed key elements of the ECL calculations and evaluated the model performance results. - We assessed the appropriateness of disclosures in the financial statements against the requirements of IFRS.

Other information

Management is responsible for the other information. The other information consists of the information in the Report of the Board of Directors, which we obtained prior to the date of this auditor's report and the Bank's Annual Report 2024, which is expected to be made available to us after the auditor's report date.

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.

Report on the audit of the financial statements (continued)

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.

Those charged with governance 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.

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.

Report on the audit of the financial statements (continued)

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

- 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.

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

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

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.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unqualified opinion on 13 February 2024 before the effects of restatement as disclosed in note 33 to the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES INVESTMENT BANK P.J.S.C. (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 December 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 UAE Federal Decree Law No. 32 of 2021;
- the financial information included in the Report of the Board of Directors 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 25 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, which would materially affect its activities or its financial position as at 31 December 2024; and
- note 2.1 reflects the social contributions made during the year, if any.

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 purpose of our audit.

Ernst & Young Middle East (Dubai Branch)

Sanjay Khiara
Registration No. 5513

11 February 2025

Dubai, United Arab Emirates

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	**2024 AED'000**	2023 AED'000
ASSETS			
Cash and balances with Central Bank of the UAE	6	**893,752**	1,065,963
Due from banks and financial institutions, net	7	**527,273**	653,549
Investments, net	8	**2,738,944**	2,294,006
Loans and advances, net	9	**898,138**	484,949
Investment in associate	11	**72**	72
Other assets	12	**56,400**	37,834
Property and equipment	13	**2,615**	3,190
Deferred tax assets	22	**190**	-
Intangible assets	13	**486**	844
TOTAL ASSETS		**5,117,870**	4,540,407
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	14	**3,677,672**	3,195,712
Current tax liabilities	22	**11,443**	-
Other liabilities	15	**82,617**	130,370
TOTAL LIABILITIES		**3,771,732**	3,326,082
EQUITY			
Share capital	16	**1,000,000**	1,000,000
Statutory reserve	16	**56,625**	45,754
Impairment reserve-general	16	**29,832**	25,306
Cumulative changes in fair value		**33,491**	11,089
Retained earnings		**226,190**	132,176
TOTAL EQUITY		**1,346,138**	1,214,325
TOTAL LIABILITIES AND EQUITY		**5,117,870**	4,540,407

The financial statements were approved by the Board of Directors on 10 February 2025 and signed on its behalf by:

Omar Abdullah Al Futtaim
(Chairman)

Edward Quinlan
(Director)

Gaurav Shah
(Chief Executive Officer)

The accompanying notes from pages 15 to 68 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Interest income from loans and placements	17	**121,631**	115,415
Net income from investments	18	**124,953**	61,044
		246,584	176,459
Interest expense		**(89,026)**	(59,233)
INTEREST AND INVESTMENT INCOME, NET		**157,558**	117,226
Fee, commission and other income	19	**38,001**	29,181
Exchange gain, net		**14,899**	14,963
OPERATING INCOME		**210,458**	161,370
General and administrative expenses	20	**(88,536)**	(76,910)
Net impairment (loss)/ reversal on financial assets	10.1	**(1,874)**	23,084
OPERATING EXPENSES		**(90,410)**	(53,826)
PROFIT BEFORE TAX		**120,048**	107,544
Income tax expense	22	**(11,335)**	-
PROFIT FOR THE YEAR		**108,713**	107,544
BASIC AND DILUTED EARNINGS PER SHARE (in AED)	23	**10.87**	14.62

The accompanying notes from pages 15 to 68 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 AED'000	2023 AED'000
PROFIT FOR THE YEAR	**108,713**	107,544
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**20,498**	7,026
Income tax related to the above	**(108)**	-
	20,390	7,026
Items that will be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income:		
Net changes in the fair value during the year	**(2,444)**	20,665
Change in allowance for expected credit losses	**330**	328
Reclassification to the statement of profit or loss	**4,634**	3,351
Income tax related to the above	**190**	-
	2,710	24,344
Other comprehensive income for the year	**23,100**	31,370
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**131,813**	138,914

STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
OPERATING ACTIVITIES			
Profit before tax		**120,048**	107,544
Adjustments for:			
Depreciation on property and equipment	13	**800**	960
Amortisation of intangible assets	13	**358**	402
Depreciation on right-of-use assets	21	**3,632**	3,509
Net impairment loss/(reversal) on financial assets	10.1	**1,874**	(23,084)
Operating profit before changes in operating assets and liabilities		**126,712**	89,331
Change in statutory reserve deposits with Central Bank of the UAE		**835,349**	(951,690)
Change in due from bank with original maturity of over three months		**-**	87,773
Change in loans and advances, net	9	**(415,534)**	506,040
Change in investments, net		**(421,521)**	(700,780)
Change in other assets	12	**(22,388)**	(3,667)
Change in customer deposits	14	**481,960**	(183,450)
Change in other liabilities	15	**(43,645)**	54,146
Net cash generated from/(used in) operating activities		**540,933**	(1,102,297)
INVESTING ACTIVITIY			
Purchase of property, equipment and intangible assets	13	**(225)**	(1,645)
Net cash used in investing activity		**(225)**	(1,645)
FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities		**(4,000)**	(3,605)
Proceeds from rights issue	16	**-**	650,000
Right shares issuance cost		**-**	(1,275)
Net cash generated from financing activities		**(4,000)**	645,120
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**536,708**	(458,822)
Cash and cash equivalents at 1 January		**648,831**	1,107,653
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,185,539**	648,831
Cash and cash equivalents comprise the following amounts in the statement of financial position with original maturities of three months or less:			
Cash and balances with Central Bank of the UAE (excluding statutory reserve deposits)		**663,565**	427
Due from banks	7	**521,974**	648,404
		1,185,539	648,831
Operational cash flows from interest and dividends			
Interest paid		**82,222**	85,193
Interest received (including interest from investments)		**230,875**	172,721
Dividends received		**6,144**	8,094

The accompanying notes from pages 15 to 68 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital AED'000	*Statutory reserve AED'000*	*Impairment reserve-general AED'000*	*Cumulative changes in fair values AED'000*	*Retained earnings AED'000*	*Total AED'000*
At 1 January 2024	1,000,000	45,754	25,306	11,089	132,176	1,214,325
Profit for the year	-	-	-	-	108,713	108,713
Other comprehensive income for the year	-	-	-	23,100	-	23,100
Total comprehensive income for the year	-	-	-	23,100	108,713	131,813
Transfer to statutory reserve	-	10,871	-	-	(10,871)	-
Transfer to impairment reserve-general	-	-	4,526	-	(4,526)	-
Gain on disposal of equity instruments at fair value through other comprehensive income	-	-	-	(698)	698	-
Balance at 31 December 2024	**1,000,000**	**56,625**	**29,832**	**33,491**	**226,190**	**1,346,138**

The accompanying notes from pages 15 to 68 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Share capital AED'000	*Statutory reserve AED'000*	*Special reserve AED'000*	*Impairment reserve-general* AED'000*	*Cumulative changes in fair values AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
At 1 January 2023	70,000	35,000	44,251	21,844	(20,281)	275,872	426,686	228	426,914
Profit for the year	-	-	-	-	-	107,544	107,544	-	107,544
Other comprehensive income for the year	-	-	-	-	31,370	-	31,370	-	31,370
Total comprehensive income for the year	-	-	-	-	31,370	107,544	138,914	-	138,914
Transfer to statutory reserve	-	10,754	-	-	-	(10,754)	-	-	-
Transfer to impairment reserve-general	-	-	-	3,462	-	(3,462)	-	-	-
Issuance of bonus shares (note 16)	280,000	-	(44,251)	-	-	(235,749)	-	-	-
Rights issue (note 16)	650,000	-	-	-	-	-	650,000	-	650,000
Right shares issuance cost	-	-	-	-	-	(1,275)	(1,275)	-	(1,275)
Movement in non-controlling interests	-	-	-	-	-	-	-	(228)	(228)
Balance at 31 December 2023	1,000,000	45,754	-	25,306	11,089	132,176	1,214,325	-	1,214,325

The accompanying notes from pages 15 to 68 form an integral part of these financial statements.

1 GENERAL INFORMATION

Emirates Investment Bank P.J.S.C. (the "Bank") was incorporated on 17 February 1976 in Dubai, United Arab Emirates by a decree of HH The Ruler of Dubai. The Bank is registered under the UAE Federal Law No. (32) of 2021 (the "Companies law") as a Public Joint Stock Company. During 2023, the Bank received a restricted banking license under the Restricted License Bank Regulation (Circular 23/2022), issued by the Central Bank of the UAE ("CBUAE").

The Bank is engaged in the business of investment advisory and wealth management. The address of the Bank's registered office is P. O. Box 5503, Dubai, United Arab Emirates.

The Bank is a subsidiary of Al Futtaim Private Company LLC which holds 92.39% (31 December 2023: 92.39%) of the shares in the Bank.

2 BASIS OF PREPARATION AND CONSOLIDATION

2.1 Basis of preparation

Statement of compliance
These financial statements have been prepared on a going concern basis in accordance with the IFRS Accounting Standards (which comprises accounting standards issued by International Accounting Standards Board (IASB) as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC)) and the applicable requirements of laws of the UAE including the UAE Federal Law No. (32) of 2021 on Commercial Companies (the "Companies Law") and the Decretal Federal Law No. (14) of 2018 (the "UAE Banking Law").

Basis of measurement
The financial statements of the Bank have been prepared on the historical cost basis except for debt securities, equity shares and derivatives that are classified as either fair value through profit and loss (FVPL) or fair value through other comprehensive income (FVOCI) that are measured at fair value.

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

Presentation of financial statements
The financial statements are presented in United Arab Emirates Dirham (AED) which is the Bank's functional currency. All values are rounded to the nearest thousands AED, except where otherwise indicated.

The Bank presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) presented in the notes.

During the year ended 31 December 2024, the Bank has not made any social contributions (including donations and charity) (2023: AED Nil).

2.2 Basis of consolidation

The consolidated financial statements for the year ended 31 December 2023 comprise the financial information of the Bank and its subsidiary (together referred to as the "Bank").

During 2023, the Bank lost its rights to variable returns and the ability to affect the returns of its only subsidiary, EIB Investment Co. L.L.C" (the "Company"). Accordingly, the Bank no longer had control of the Company and accounted for as an investment in associate from 8 November 2023, the date that effective control was lost.

These financial statements for year ended 31 December 2024 are presented on a standalone basis and investment in Company is accounted for using the equity method of accounting.

Name of associate	***Country***	***% Holding***		***Principal activities***
		31 December 2024	31 December 2023	
EIB Investment Co. LLC	U.A.E	**24%**	24%	Investment in commercial, industrial and agricultural enterprises and their respective management.

The comparative financial statements for the year ended 31 December 2023 is presented on consolidated basis till the period the Bank had control of the Company.

3 SIGNIFICANT MANAGEMENT JUDGMENTS AND ESTIMATES

In the application of the Bank's accounting policies, which are described in note 5, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Classification of financial assets
In accordance with IFRS 9 guidance, the Bank classifies its financial assets based on the assessment of the business models in which the assets are held at a portfolio level and whether cash flows generated by assets constitute Solely Payments of Principal and Interest (SPPI). This requires significant judgement in evaluating how the Bank manages its business model and on whether or not a contractual clause in all debt instruments of a certain type breaches SPPI assessment and results in a material portfolio being recorded at FVPL.

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for debt financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

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

The judgements involved in estimation of ECL are detailed in note 28.

Liquidity
The Bank manages its liquidity by maintaining an adequate ratio of net liquid assets to liabilities which is set out in a table in the liquidity risk disclosure in note 28. The assessment requires judgment with regards to whether assets can be considered liquid.

Valuation of equity investments classified as level 3
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transaction;
- current fair value of another investment that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimations. The Bank calibrates the valuation techniques periodically and tests them for validity using either data from observable current market transactions in the same investment or from other available observable market data.

4 CHANGES IN ACCOUNTING POLICIES

4.1 New and revised IFRS applied on the financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these financial statements. The application of these revised IFRSs, have not had any material impact on the amounts reported for the current and prior periods.

Amendment to IFRS 16 – Leases on sale and leaseback
These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendment to IAS 1 – Non current liabilities with covenants
These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements
These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

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

The Bank has not yet early adopted the following new relevant standards, amendments and interpretations that have been issued but are not yet effective:

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)

The amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the amendments.

The Bank is currently reviewing to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

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.

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.

4 CHANGES IN ACCOUNTING POLICIES (continued)

4.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)

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

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently reviewing to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Amendments to IAS 21 – Lack of Exchangeability
An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Bank’s financial statements.

There are no other relevant applicable new standards and amendments to published standards or IFRS Interpretation Committee (“IFRS IC”) interpretations that have been issued but are not effective for the first time for the Bank’s financial year beginning on 1 January 2025 that would be expected to have a material impact on the financial statements of the Bank.

5 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information adopted in the preparation of the financial statements are set out below:

Revenue recognition
For all financial instruments measured at amortised cost and other interest bearing financial instruments including financial instruments classified as fair value through other comprehensive income, interest income or expense is recorded at the effective interest rate, which is the rate that exactly 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.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include custody and management on fiduciary assets. Other fee income and expenses are recognized when earned or incurred.

Dividend income is recognized in the statement of profit or loss when the Bank’s right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments

Initial recognition and measurement
At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fee and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of profit or loss. After initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortised cost and at FVOCI, which results in accounting loss being recognized in statement of profit or loss when an asset is newly originated.

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

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
b) In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

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

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

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

Financial assets

Classification and subsequent measurement
The Bank classifies its financial assets in the following measurement categories:
a) Fair value through profit or loss (FVPL);
b) Fair value through other comprehensive income (FVOCI); and
c) Amortised cost.

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 loan and advances and investments in debts securities as well as Sukuk.

Classification and subsequent measurement of debt instruments depend on:
(i) the Bank's business model for managing the assets; and
(ii) the cash flow characteristics of the asset.

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

Debt instruments (continued)
Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest income from these financial assets is included in income from investments or 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 profit, and that are not designated at FVPL, are measured at FVOCI. Movements in carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses which are recognized in the statement of profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Gain/ (loss) on disposal of investments measured at FVOCI'. Interest income from these financial assets is included under 'Net income from investments' using the effective interest rate method.
- *FVPL*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. 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 recognized in statement of profit or loss and presented under 'Net gain/loss from investment securities measured as fair value through profit or loss'. Interest income from these financial assets is included in 'Net income from investments'.

Business model: the business model reflects how the Bank manages the 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 (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely payments of principal and interest (SPPI): 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. profit 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 arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt instruments 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.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. The Bank subsequently measures all equity instruments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity instrument at fair value through other comprehensive income. The Bank's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns.

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

Equity instruments (continued)
When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to statement of profit or loss, including on disposal. On disposal of these equity investments, any related balance within the FVOCI reserve in reclassified to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of profit or loss as income from investment when the Bank's right to receive payments is established.

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

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

Details of the impairment models and the various criteria used by the Bank for determining impairment on financial assets are further disclosed in Note 28 of these financial statements.

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

- If the borrower is in financial difficulty, whether the modification reduces the net present value of contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms introduced, that substantially affects the economic value of the loan.
- Non-Distressed Restructuring is change in the loan term, interest rates and other loan payment covenants when the borrower is not in financial difficulty and there is no major impact of economic value of the loan.
- Distressed Restructuring is change in the loan term, interest rates and other loan covenants when the borrower is in financial difficulty and there is a major impact of economic value of the loan.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The Bank considers a credit facility as non-distressed restructuring if any of its terms are formally amended for commercial or regulatory reasons, including the intention to mitigate the future financial difficulties, but excluding situations of financial distress at the time of restructuring. Non-distressed restructured credit facilities include credit facilities for which contractual obligations and repayments have been made, without any history of past dues on the credit facility:

- Any change in the contractual interest rate.
- A change in the contractual tenor and/or the repayment schedule to better align such repayments with obligor's future cash flows, if there are no default at any time during the restructuring process.
- Rescheduling prior to an event of default, provided as a concession with modification in the repayment dates of the principal amount.

The Bank considers a credit facility as a distressed restructuring if any of its terms are formally amended in a context of financial difficulty of the obligor, and in order for the obligor to obtain concessions for economic or legal reasons. This includes restructuring that commences or concludes after a credit facility becomes past due. For the cases in standstill where restructuring process may take time to reach its completion beyond 90 days, during which obligor is not meeting its financial obligations as per the terms of the original facility are considered as default.

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

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

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

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

Financial liabilities

Classification and subsequent measurement
Financial liabilities (including money markets deposits and balances due to banks, repurchase agreements with banks, and customer deposits) are initially recognized as fair value and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such on initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the change in fair value due to credit risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and
- Financial guarantee contracts and loan commitments.

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

Impairment of non-financial assets
The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Trade and settlement date accounting
All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date that the asset is received from or delivered to the counter party except for certain debt instruments classified under FVPL that are recognized on trade date, i.e. the date that the Bank commits to purchase or sell the asset. 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.

Cash and cash equivalents
Cash and cash equivalents for the purpose of statement of cash flows comprise balances with maturities of three months or less from the date of acquisition including cash and balances with Central Bank of the UAE and due from banks.

Due from banks
Due from banks are stated at amortised cost using the effective interest method less allowance for impairment, if any.

Sale and repurchase agreements
Securities sold subject to repurchase agreements ('repos') are disclosed in the notes to the Bank financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral, the counterparty liability is included in due to banks.

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

- In the principal market for the asset or liability; or
- In the absence of principal market, in the most advantageous market for the asset and liabilities.

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

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.

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

For investments and derivatives quoted in an active market, fair value is determined by reference to quoted market prices at the close of business on the statement of financial position date. Bid prices are used for assets and offer prices are used for liabilities.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

For unquoted equity investments, fair value is determined by reference to the current market value of a similar investment, recent arm's length market transactions, or is based on expected discounted cash flows or derived using other accepted valuation models.

The fair value of forward foreign exchange contracts is calculated by reference to forward exchange rates for contracts with similar maturities.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property and equipment (continued)
Depreciation is recognized so as to write off the cost of assets (other than land and capital work in progress), using the straight-line method, over the estimated useful lives of the respective assets, as follows:

	Years
Furniture and computer equipment	4
Motor vehicles	4

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

Intangible assets
Computer software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

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

Amortisation on computer software is recognized so as to write off the cost of the assets (other than capital work in progress), using the straight line method over the estimated useful life of the respective assets from the date that it is available for use.

	Years
Computer software	4

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

Capital work-in-progress are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Artwork and capital work in progress are not depreciated.

Employees' end of service benefits
The Bank provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under the UAE Labour Laws.

The provision arising is disclosed as 'provision for employees' end of service indemnity' in the statement of financial position under 'other liabilities' (note 15).

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

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

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

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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. Further disclosures are provided in Note 24.

Financial guarantees
In the ordinary course of business, the Bank gives financial guarantees, consisting of guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the unamortised 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 profit or loss. The premium received is recognized in the statement of profit or loss in 'Other income' on a straight line basis over the life of the guarantee.

Leases
Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxes

Income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associate, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:
When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. When receivables and payables are stated with the amount of VAT included the net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currency translation
Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the income statement, with the exception of the effective portion of the differences on foreign currency borrowings that are accounted for as an effective hedge against a net investment in a foreign entity. These differences are recognised in OCI until the disposal of the net investment, at which time, they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

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

Segment reporting
The Bank's reporting is based on the following operating segments: Investments and Banking Services.

Operating segments are reported in a manner consistent with the internal reporting provided which is regularly reviewed by the Bank's CEO (the Bank's chief operating decision maker) in order to allocate resources and assess the performance of the operating segments of an entity.

Derivative financial instruments
The Bank enters into derivative instruments including forwards, futures, forward rate agreements, swaps, credit default swap and options in the foreign exchange, interest rate and capital markets. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of profit or loss depends on the nature of the hedge relationship. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate.

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

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not recognized in the statement of financial position.

Dividends on ordinary shares
Dividends on ordinary shares are recognized 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 reporting date are disclosed as an event after the reporting date.

6 CASH AND BALANCES WITH CENTRAL BANK OF THE UAE

	2024 AED'000	2023 AED'000
Cash in hand	**565**	427
Balances with Central Bank of the UAE:		
Statutory reserve deposit and other deposits	**893,187**	1,065,536
	893,752	1,065,963

The average yield on interest bearing deposits was 5.39% per annum (2023: 5.39% per annum).

The statutory reserve deposits are kept with the Central Bank of the UAE in AED and can be withdrawn entirely on any day for daily settlement purposes, provided that the daily average requirements over a 14-day reserve maintenance period is maintained. Cash in hand and statutory reserve deposit are non-interest-bearing. Amounts comprising of statutory reserve deposit above does not form part of cash and cash equivalents.

7 DUE FROM BANKS AND FINANCIAL INSTITUTIONS, NET

	2024 AED'000	2023 AED'000
Placements	**330,732**	398,455
Call and short notice	**196,751**	255,458
	527,483	653,913
Less: allowance for impairment (note 10)	**(210)**	(364)
	527,273	653,549

The average yield on bank placements was 4.07% per annum (2023: 4.08% per annum).

Placements include deposits with original maturity of over three months amounting to AED 5,509 thousand (2023: AED 5,509 thousand).

8 INVESTMENTS, NET

	2024 AED'000	2023 AED'000
Investments at fair value through profit or loss		
Equity instruments		
Quoted	**-**	26,859
Unquoted	**18,489**	29,960
Total investments measured at fair value through profit or loss	**18,489**	56,819
Investments at fair value through other comprehensive income		
Debt instruments		
Quoted	**2,456,188**	1,791,096
Equity instruments		
Quoted	**91,240**	74,503
Unquoted	**8,631**	7,151
	99,871	81,654
Total investments measured at fair value through other comprehensive income	**2,556,059**	1,872,750
Investments at amortised cost		
Debt instruments		
Quoted	**197,008**	397,696
Total investments measured at amortised cost	**197,008**	397,696
Gross investments	**2,771,556**	2,327,265
Less: allowance for impairment (note 10)	**(32,612)**	(33,259)
Investments, net	**2,738,944**	2,294,006

The Bank has not purchased any equity shares during the year ended 31 December 2024 and 31 December 2023.

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 which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

8 INVESTMENTS, NET (continued)

As at 31 December 2024, the Bank held the following investments measured as follows:

	Total	**Investments carried at fair value**		**Investments carried at amortised cost**
		Level 1	**Level 3**	
	AED'000	**AED'000**	**AED'000**	**AED'000**
Debt instruments:				
Domestic	**687,919**	**617,870**	**-**	**70,049**
Regional	**118,040**	**118,040**	**-**	**-**
International	**1,847,237**	**1,720,278**	**-**	**126,959**
Equity instruments:				
Domestic	**99,871**	**53,096**	**46,775**	**-**
International	**18,489**	**-**	**18,489**	**-**
Gross investments	**2,771,556**	**2,509,284**	**65,264**	**197,008**
Less: allowance for impairment (note 10)	**(32,612)**			
Investments, net	**2,738,944**			

The fair value of debt investments carried at amortised cost as at 31 December 2024 amounts to AED 154,692 thousand (31 December 2023: AED 348,898 thousand) and these investments would be classified as level 1 within the fair value hierarchy.

As at 31 December 2023, the Bank held the following investments measured as follows:

	Total	Investments carried at fair value			Investments carried at amortised cost
		Level 1	Level 2	Level 3	
	AED'000	AED'000	AED'000	AED'000	AED'000
Debt instruments:					
Domestic	602,380	506,216	-	-	96,164
Regional	152,761	100,794	-	-	51,967
International	1,433,651	1,184,086	-	-	249,565
Equity instruments:					
Domestic	81,224	44,229	-	36,995	-
Regional	408	408	-	-	-
International	56,841	26,859	29,982	-	-
Gross investments	2,327,265	1,862,592	29,982	36,995	397,696
Less: allowance for impairment (note 10)	(33,259)				
Investments, net	2,294,006				

During 2023, the Bank reviewed its portfolio in certain geographies owing to increased credit risk based on heightened geo-political uncertainties and sold certain investments measured at amortised cost amounting to AED 65,649 thousand and recognized a loss of AED 6,418 thousand. These disposals were part of credit risk management activities of the Bank that were aimed at minimising potential credit losses due to further credit deterioration.

8 INVESTMENTS, NET (continued)

The following table shows a reconciliation of the opening and closing amounts of level 3 investments recorded at fair value. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Bank requires significant unobservable inputs to calculate their fair value.

	2024	2023
	AED'000	AED'000
At the beginning of the year	**36,995**	34,371
Net unrealised gain recognized in other comprehensive income	**4,224**	2,624
Transfers into Level 3	**24,275**	-
Disposal	**(230)**	-
At the end of the year	**65,264**	36,995

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Bank employs valuation techniques, depending on the instrument type and available market data.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, analysis of the investee's financial position and results, risk profile and other factors. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. Any change in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change the fair value significantly.

9 LOANS AND ADVANCES, NET

	2024	2023
	AED'000	AED'000
Gross loans and advances	**909,651**	493,696
Less: allowance for impairment (note 10)	**(11,002)**	(8,657)
Less: interest and fees in suspense	**(511)**	(90)
Loans and advances, net	**898,138**	484,949

Management considers that the carrying amounts of loans and advances approximate their fair values as these are substantially short term in nature and carry market rates of interest.

10 ALLOWANCE FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Movement in allowances for impairment losses

	2024 AED'000	2023 AED'000
Allowance on due from banks		
At 1 January	**364**	113
(Reversal)/ charge for the year	**(154)**	251
At 31 December	**210**	364
Allowance on loans and advances		
At 1 January	**8,657**	23,441
Charge for the year	**2,345**	9
Loans and advances written off	**-**	(14,793)
At 31 December	**11,002**	8,657
Allowance on Investments – measured at amortised cost		
At 1 January	**33,259**	56,931
Reversal for the year	**(647)**	(23,672)
At 31 December	**32,612**	33,259

The analysis of expected credit losses by stage for loans and advances, investment in debt instruments measured at amortised cost and due from banks is as follows:

	2024 AED'000	2023 AED'000
Expected credit losses -Lifetime ECL (Stage 3)	**40,861**	40,074
Expected credit losses- 12-months ECL (Stage 1)	**2,963**	2,191
Expected credit losses- lifetime ECL (Stage 2)	**-**	15
Expected credit losses (Stage 1 and 2)	**2,963**	2,206
Total expected credit losses	**43,824**	42,280

10.1 Net impairment reversal/(loss) on financial assets

	2024 AED'000	2023 AED'000
Impairment reversal on investments measured at amortized cost	**647**	23,672
Impairment loss on investments measured at FVOCI	**(330)**	(328)
Impairment loss on loans and advances	**(2,345)**	(9)
Impairment reversal/(loss) on due from banks	**154**	(251)
	(1,874)	23,084

During the year ended 31 December 2023, the Bank had sold an investment measured at amortised cost amounting to AED 20,723 thousand and reversed the corresponding ECL on this investment amounting to AED 20,723 thousand.

11 INVESTMENT IN ASSOCIATE

During 2023, effective 8 November 2023, the Bank lost its rights to variable returns and the ability to affect the returns of its then subsidiary, EIB Investment Co. L.L.C (the "Company"). Accordingly, the Bank lost control of the Company and accounted for its interests in the Company as an investment in associate.

The investment represents the Bank's share in the capital of the Company. The following table illustrates summarised financial information of the Bank's investment in the Company:

	2024 AED'000	2023 AED'000
Share of the associate statement of financial position:		
Current assets	**72**	72
Equity	**72**	72
Share of the associate's revenue and profit:		
Revenue	**-**	-
Profit for the year	**-**	-
Carrying amount of the investment	**72**	72

The associate had no contingent liabilities or capital commitments as at 31 December 2024 and 31 December 2023.

12 OTHER ASSETS

	2024 AED'000	2023 AED'000
Interest receivable	**37,303**	23,222
Right-of-use assets (note 21)	**12,778**	9,144
Other receivables and prepayments	**6,319**	5,468
	56,400	37,834

13 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

2024

	Property and equipment			
	Furniture and computer equipment* AED'000	**Motor vehicles AED'000**	**Capital work-in- progress AED'000**	**Total AED'000**
Cost				
At 1 January 2024	**20,408**	**83**	**110**	**20,601**
Additions	**142**	**-**	**83**	**225**
Disposals	**(2,019)**	**-**	**-**	**(2,019)**
At 31 December 2024	**18,531**	**83**	**193**	**18,807**
Depreciation:				
At 1 January 2024	**17,328**	**83**	**-**	**17,411**
Charge for the year (note 20)	**800**	**-**	**-**	**800**
Disposals	**(2,019)**	**-**	**-**	**(2,019)**
At 31 December 2024	**16,109**	**83**	**-**	**16,192**
Net carrying values:				
At 31 December 2024	**2,422**	**-**	**193**	**2,615**

13 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (continued)

2023

	Property and equipment			
	Furniture and computer equipment* AED'000	Motor vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost				
At 1 January 2023	18,856	83	17	18,956
Additions	1,535	-	110	1,645
Transfers	17	-	(17)	-
At 31 December 2023	20,408	83	110	20,601
Depreciation:				
At 1 January 2023	16,368	83	-	16,451
Charge for the year (note 20)	960	-	-	960
At 31 December 2023	17,328	83	-	17,411
Net carrying values:				
At 31 December 2023	3,080	-	110	3,190

*Furniture and computer equipment as at 31 December 2024 includes artwork amounting to AED 1,084 thousand which are not depreciated (2023: AED 1,084 thousand).

	Intangible assets	
	2024 AED'000	2023 AED'000
Cost		
At 1January	**6,888**	6,888
Disposal	**(71)**	-
At 31 December	**6,817**	6,888
Amortisation:		
At 1 January	**6,044**	5,642
Charge for the year (note 20)	**358**	402
Disposal	**(71)**	-
At 31 December	**6,331**	6,044
Net carrying values:		
At 31 December	**486**	844

14 CUSTOMER DEPOSITS

	2024 AED'000	2023 AED'000
Time deposits	**2,630,740**	1,947,241
Call accounts	**1,046,932**	1,248,471
	3,677,672	3,195,712

15 OTHER LIABILITIES

	2024 AED'000	2023 AED'000
Interest payable	**25,226**	18,422
Lease liabilities (note 21)	**12,299**	8,888
Employees' end of service benefits (a)	**8,719**	7,352
Fees payable	**142**	773
Others	**36,231**	94,935
	82,617	130,370

(a) In accordance with the UAE Labour Law, the Bank provides for end of service benefits for its expatriate employees. Movements in the liability recognized in the statement of financial position in respect of end of service benefits are as follows:

	2024 AED'000	2023 AED'000
At 1 January	**7,352**	6,450
Charges for the year	**1,665**	1,932
Amount paid	**(298)**	(1,030)
At 31 December	**8,719**	7,352

16 SHARE CAPITAL AND RESERVES

a) Share capital

The Central Bank of the UAE issued a regulation by Circular No. 23/2022 date 6 April 2022, mandating all investment banks and wholesale banks to convert their existing license to a Restricted Bank License (the "Regulation") with, among other requirements, the obligation to maintain a minimum issued and paid-up share capital of AED 1,000 million.

To comply with the Regulation, the Bank filed an application to the Central Bank on 23 June 2022 for a license as a Restricted Licensed Bank, supported by a business plan detailing the proposed scope of activities and the capital increase plan to take place in two stages as follows:

Stage 1: Distribute the Bank's distributable reserves (including retained earnings) amounting AED 280 million as bonus shares by issuing 2,800,000 new bonus shares at a nominal value of AED 100 per share to the existing shareholders of the Bank (the "Distribution").

Stage 2: Raise additional capital amounting to AED 650 million by way of a rights issue ("Rights Issue"), issuing 6,500,000 new shares at a nominal value of AED 100 per share.

16 SHARE CAPITAL AND RESERVES (continued)

a) Share capital (continued)

At the General Assembly held on 27 December 2022, the shareholders of the Bank approved the distribution of the Bank's distributable reserves (Special reserve amounting to AED 44,251 thousand and retained earnings amounting to AED 235,749 thousand) amounting to AED 280 million as bonus shares by issuing 2,800,000 new shares at a nominal value of AED 100 per share to the existing shareholders of the Bank, subject to regulatory approval. Further, at the General Assembly held on 24 March 2023, the shareholders of the Bank approved the rights issue of 6,500,000 new shares at a nominal value of AED 100 per share amounting to AED 650 million.

During 2023, the Bank received the relevant regulatory approval and the share capital of the Bank was increased to AED 1,000 million.

At 31 December 2024, the issued and fully paid up share capital of the Bank comprises 10,000,000 ordinary shares of AED 100 each (31 December 2023: 10,000,000 ordinary shares of AED 100 each).

b) Statutory reserve

In accordance with the UAE Federal Law No. 32 of 2021 and the Bank's Articles of Association, 10% of the profit for the year is transferred to a Statutory reserve until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution.

c) Impairment reserve-general

During 2024, CBUAE issued the new Credit Risk Management Regulation and accompanying Standards ("CRMS"), vide Circular No. 3/2024 dated 25 July 2024, which apply to all financial institutions licensed by the CBUAE that provide credit facilities. As per the new CRMS issued by CBUAE, Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the Credit Risk weighted assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

Till 31 December 2023, impairment reserve-general was under the previous guidance issued by CBUAE on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE (the "Guidance").

The reconciliation between prescribed minimum provision and provision computed as per IFRS is as below:

	2024 **AED '000**	2023 AED '000
Minimum provision for Stage 1 & Stage 2 as per CBUAE requirements	**32,795**	27,512
Less: Stage 1 & Stage 2 provisions taken against income	**(2,963)**	(2,206)
Shortfall in Stage 1 & Stage 2 provision to meet minimum CBUAE requirements	**29,832**	25,306
Balance of impairment reserve - general as at 1 January	**25,306**	21,844
Add: Non-distributable reserve during the year (Impairment reserve-general)	**4,526**	3,462
Balance of impairment reserve - general as at 31 December	**29,832**	25,306

d) Special reserve

During the 2023, Special reserve amounting to AED 44,251 thousand was utilized for the issuance of bonus shares to the existing shareholders of the Bank (note 16a).

17 INTEREST INCOME FROM LOANS AND PLACEMENTS

	2024 AED'000	2023 AED'000
Loans and advances	**71,288**	47,403
Bank placements	**50,343**	68,012
	121,631	115,415

18 NET INCOME FROM INVESTMENTS

	2024 AED'000	2023 AED'000
Interest income on investments in debt instruments	**123,325**	63,887
Dividend income	**6,144**	8,094
Net realised loss on investments measured at amortised cost and FVOCI	**(500)**	(8,918)
Net loss from investment measured at fair value through profit or loss	**(2,985)**	(1,432)
Custody and transaction fees paid to other financial institutions	**(1,031)**	(587)
	124,953	61,044

19 FEE, COMMISSION AND OTHER INCOME

	2024 AED'000	2023 AED'000
Fee from custody and advisory services	**21,271**	15,537
Product fees and transaction charges	**15,233**	11,312
Commission and other income	**1,497**	2,332
	38,001	29,181

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2024 AED'000	2023 AED'000
Staff costs	**61,899**	57,681
Depreciation on right-of-use assets (note 21)	**3,632**	3,509
Consultancy charges	**9,553**	2,865
Communication and subscriptions	**3,932**	3,805
Depreciation on property and equipment (note 13)	**800**	960
Amortisation of intangible assets (note 13)	**358**	402
Others	**8,362**	7,688
	88,536	76,910

21 LEASES

The Bank has lease contracts in relation to office premises. The Bank's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased asset.

The Bank also has leases of other assets with lease terms of 12 months or less and leases of office equipment with low value. The Bank applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for those leases.

(i) Amounts recognized in the statement of financial position

Below are the carrying amounts of the right-of-use assets recognized and movements during the year:

	2024	2023
	AED'000	AED'000
At 1 January	**9,144**	12,653
Addition	**7,266**	-
Depreciation charge for the year	**(3,632)**	(3,509)
At 31 December	**12,778**	9,144

Set out below is the carrying amount of lease liabilities and the movement during the year

	2024	2023
	AED'000	AED'000
At 1 January	**8,888**	12,372
Addition	**7,266**	-
Accretion of interest	**145**	121
Lease payments	**(4,000)**	(3,605)
	12,299	8,888
Current	**4,791**	3,524
Non-current	**7,508**	5,364
	12,299	8,888

(ii) Amounts recognized in the statement of profit or loss

	2024	2023
	AED'000	AED'000
Depreciation charge for the year (note 20)	**3,632**	3,509
Accretion of interest	**145**	121
Expense related to short term leases	**491**	490
	4,268	4,120

The total cash outflow for leases in 2024 was AED 4,000 thousand (2023: AED 3,605 thousand).

22 INCOME TAX

Implementation of UAE Corporation Tax law and application of IAS 12 Income 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. The Cabinet of Ministers Decision No. 116 of 2022 (effective from 16 January 2023) specified the threshold of taxable income to which the 0% UAE CT rate would apply, and above which the 9% UAE CT rate would apply.

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

Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. Since no taxes were expected to be paid to or recovered from the tax authorities for the periods ended prior to 31 December 2023, no current tax was accounted for in the financial periods ended before 31 December 2023. Since the Bank is expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from 1 January 2024, current taxes have been accounted for in the financial statements for the period beginning from 1 January 2024.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. As the UAE CT Law was 'substantively enacted' as at 31 December 2023 for the purposes of IAS 12, the Bank considered the application of IAS 12 and any requirements for the measurement and recognition of deferred taxes (if any) for the financial periods ended post 1 June 2023. Based on an assessment conducted by the management, there were no material temporary differences identified where any deferred tax should have been accounted for.

Income tax expense

The components of income tax expense for the years ended 31 December 2024 and 2023 are, as follows:

	2024 **AED'000**	2023 AED'000
Current income tax:		
Statement of profit or loss	**11,335**	-
Statement of other comprehensive income	**108**	-
Deferred tax		
Relating to origination and reversal of temporary differences	**(190)**	-
	11,253	-

Tax reconciliation

The tax charge shown in the statement of profit or loss differs from the tax charge that would apply if all profits had been charged at UAE corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by UAE tax rate for the years ended 31 December 2024 and 2023 is, as follows:

	2024 **AED'000**	2023 AED'000
Profit before tax	**120,048**	107,544
At United Arab Emirates' statutory income tax rate of 9%	**10,804**	-
Adjustments in respect of standard deduction as per the CT Law	**(34)**	-
Income not subject to tax	**(462)**	-
Non-deductible expenses	**610**	-
Tax under transitional rules	**417**	-
Income tax expense reported in the profit or loss	**11,335**	-
Effective tax rate	**9.44%**	**-**

22 INCOME TAX (continued)

Deferred tax
The following table shows deferred tax recorded in the statement of financial position and changes recorded in the Income tax expense in other comprehensive income as at and for the year ended 31 December 2024

	Deferred tax assets AED'000	**Other comprehensive income AED'000**
Revaluation of debt instruments at fair value through OCI	**190**	(190)

The Bank will be in the scope of the Pillar Two Global Anti-Base Erosion Rules (GloBE rules or Pillar Two rules) issued by the Organization for Economic Co-operation and Development (OECD) as the annual consolidated revenue of the parent company exceeds €750 million threshold. The Banks operations will be subject to Pillar Two effective 1 January 2025. The Bank is in the process of assessing its potential exposure to Pillar Two income taxes.

On 23 May 2023, the IASB issued amendments to IAS 12 'Income taxes' introducing a mandatory temporary exception to the requirements of IAS 12 under which an entity does not recognise or disclose information about deferred tax assets and liabilities related to the Pillar Two rules. In line with IAS 12 (as amended), the Bank has applied the exception in relation to the above.

23 BASIC AND DILUTED 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 AED'000	*2023 AED'000*
Profit for the year	**108,713**	107,544
Weighted average number of shares	**10,000,000**	7,356,434
Basic earnings per share (AED)	**10.87**	14.62

The figure for basic and diluted earnings per share is the same as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

In accordance with IAS 33 "Earnings Per Share", the impact of bonus shares and rights shares issued have been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented.

24 COMMITMENTS AND CONTINGENT LIABILITIES

Credit-related commitments and contingent liabilities
Credit-related commitments include commitments to extend credit, guarantees and acceptances which are designed to meet the requirements of the Bank's customers.

Guarantees and acceptances commit the Bank to make payments on behalf of customers, contingent upon the failure of the customers to perform under the terms of the contract.

The Bank has the following credit related contingent liabilities and commitments.

	2024 AED'000	2023 AED'000
Guarantees	**11,034**	11,074
Unutilised committed credit facilities*	**41,809**	47,266
	52,843	58,340

24 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Bank has recorded ECL on the guarantees issued by it in line with the requirements of IFRS 9. All guarantees are classified as Stage 1 (31 December 2023: Stage 1). There was no transition in the staging of the guarantees during the year ended 31 December 2024 (2023: no transition).

The Bank has commitments of AED 26,940 on account of investment in equity instruments (31 December 2023: AED 23,094 thousand).

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

The Bank may receive legal claims against it in the normal course of business. Subsequent to the year end, the Bank has received a legal claim in relation to alleged losses incurred by a claimant under a securities backed loan facility in effect in the prior years. Whilst the Bank is currently assessing the claim including engaging with external legal counsel, management's preliminary view based on review of the documentation, is that the claim lacks merit.

25 RELATED PARTY TRANSACTIONS

The Bank enters into transactions in the ordinary course of business with related parties, defined as major shareholders, directors, key management personnel and their related companies. Transactions with such related parties are done on an arm's length basis, including interest rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Pricing policies and terms of related parties' transactions are approved by the Bank's management and the Board of Directors where appropriate.

The significant balances outstanding in respect of related parties included in the financial statements are as follows:

	2024 **AED'000**	2023 AED'000
Customers' deposits	**535,422**	276,839
Gross loans and advances*	**402,235**	90,027
Other liabilities	**1,215**	2,124
Other assets	**7,957**	2,633
Commitments and contingencies	**1,771**	1,811

* These loans and advances are fully collaterised by customer deposits amounting to AED 402,235 (31 December 2023: AED 90,027) from a related party.

Outstanding balances at the year end arise in the normal course of business. Bank has recorded ECL of AED 795 thousand (2023: AED 225 thousand) on the loans and advances and guarantees provided to related parties outstanding as per requirements of IFRS 9. All related party balances are classified as Stage 1 (31 December 2023: Stage 1). There was no transition in the staging of the related party balances during the year ended 31 December 2024 (2023: no transition).

The income and expenses in respect of related parties included in the financial statements are as follows:

	2024 **AED'000**	2023 AED'000
Interest income from loans and placements	**29,282**	9,086
Interest expense	**(23,958)**	(14,479)
Fee, commission and other income	**6,872**	4,259
General and administrative expenses	**(7,114)**	(6,723)

Compensation of key management personnel:

	2024 **AED'000**	2023 AED'000
Salaries and other fixed benefits	**21,893**	19,999

26 SEGMENTAL ANALYSIS

For operating purposes, the Bank is organised into two major business segments: (a) Investments, which is principally involved in managing the Bank's own investment portfolio and provides treasury services; and (b) Banking Services, which principally manages clients' investment portfolios, provides credit facilities, accepts deposits from corporate and individual customers. These segments are the basis on which the Bank reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses and the Bank operations are primarily within the UAE.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Statement of profit or loss

	Investments		*Banking Services*		*Total*	
	2024 AED'000	*2023 AED'000*	***2024 AED'000***	*2023 AED'000*	***2024 AED'000***	*2023 AED'000*
Interest and investment income, net	**175,296**	128,971	**(17,738)**	(11,745)	**157,558**	117,226
Fee, commission and other income, net (including exchange gain)	**6,805**	7,308	**46,095**	36,836	**52,900**	44,144
Intersegment adjustments	**(135,352)**	(130,176)	**135,352**	130,176	**-**	-
Operating income	**46,749**	6,103	**163,709**	155,267	**210,458**	161,370
General and administrative expenses	**(20,390)**	(21,766)	**(68,146)**	(55,144)	**(88,536)**	(76,910)
Net impairment reversal/ (loss) on financial assets	**470**	23,093	**(2,344)**	(9)	**(1,874)**	23,084
Operating expenses	**(19,920)**	1,327	**(70,490)**	(55,153)	**(90,410)**	(53,826)
Profit before tax	**26,829**	7,430	**93,219**	100,114	**120,048**	107,544
Income tax expense					**(11,335)**	-
Profit for the year					**108,713**	107,544

Statement of financial position

	Investments		*Banking Services*		*Total*	
	2024 AED'000	*2023 AED'000*	***2024 AED'000***	*2023 AED'000*	***2024 AED'000***	*2023 AED'000*
Segment assets	**4,187,818**	4,032,898	**930,052**	507,509	**5,117,870**	4,540,407
Segment liabilities and equity	**1,045,577**	1,069,666	**4,072,293**	3,470,741	**5,117,870**	4,540,407

27 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Bank enters into 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 instruments, reference rate or index. The purpose of derivative financial instruments in the Bank's business is to mitigate the risks arising from default, currency and interest fluctuations and other market variables. The Bank uses forward foreign exchange contracts and options to mitigate the currency risk on certain investments.

There were no derivative instruments held by the Bank as of 31 December 2024.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with the notional amounts as at 31 December 2023. The notional amount, recorded gross 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 period end and are neither indicative of the market risk nor credit risk.

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amount AED'000 (Restated)*	*Notional amount by term to maturity Less than 1 year AED'000 (Restated)*
Foreign exchange forward	1	-	3,916	3,916
Foreign exchange options	-	-	1,836,250	1,836,250

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have an impact on the profit or loss of the Bank. The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk.

Derivative product type

Forwards

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over-the-counter markets.

Options

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

Swaps

Swaps are commitments to exchange one set of cash flows for another. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments in a single currency without exchanging principal.

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 favorable to the Bank. With gross–settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honors its obligation, but the counterparty fails to deliver the counter value.

Changes in counterparty credit risk have no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

28 RISK MANAGEMENT

Risk is inherent in 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 his or her responsibilities.

The Board of Directors holds the ultimate responsibility for the risk exposures. The Bank has adopted a risk governance suggesting a "three line of defence approach" to risk management, which involves top management and business lines, strong risk management function, and capable compliance and independent internal audit.

The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks, compliance risks and information security risks.

The independent risk control process does not include business risks such as changes in the environment, technology, and industry. These are monitored through the Bank's strategic planning process. The risks associated with AML/CFT, and regulatory compliance are also independently assessed by Compliance Department of the Bank.

Risk management structure

The Board of Directors (BOD) has the ultimate responsibility for setting the Bank's risk appetite and for the establishment and oversight of the Bank's risk management framework. This is managed through a number of committees; namely Board Risk Committee (BRC) and Board Audit Committee (BAC).

The management level committees also actively manage risk particularly the Executive Committee (Exco), Credit Committee (CC), Principal Investment Committee (PIC), Asset and Liability Management Committee (ALCO), Compliance AML Committee (CAC), Model Oversight Committee, Information Security Committee, Governance Committee, and the Risk Management department.

Board of Directors (BOD)

BOD is responsible for the overall risk governance framework within the Bank. The Board is responsible for determining the risk strategy, setting the Bank's risk limits and ensuring that risk exposure is monitored and controlled effectively. It is also responsible for establishing a clearly defined risk management structure for approval of the risk policies and procedures, infrastructure and management of all risks related to the Bank.

In order to effectively discharge this responsibility, the Board is assisted by Board Sub-Committees and Management Committees. The briefing about the role and function of each committee is as follows:

Board Risk Committee (BRC)

BRC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, and policies for enhancement of the Bank's risk management framework to best practice standards, monitoring of aggregate risk exposures (credit, market, liquidity, operational, information security, legal, etc.) and compliance with the regulatory requirements. The Board Risk Committee responsibility also involves providing independent risk overview to the Board in the business decision making process of the Bank.

Board Audit Committee (BAC)

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

Executive Committee (Exco)

Senior executive management is entrusted with the objective of executing the BOD approved policies.

The major roles of Exco include the following:

- Oversight of all the policies and procedures before presenting to BRC/Board for their review and approval.
- Oversight of the Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing process by reviewing the ICAAP and Stress Testing methodologies, analysis, and reports.
- Monitor the effectiveness of the risk management approach and internal controls through the framework captured within specific risk management policies.

Credit Committee (CC)

CC is a management level committee which carries out credit lending decisions including, but not limited to, approval and renewal of credit facilities, review and monitoring of loan portfolio performance, decisions on loan settlement, provisioning write off and amendments to pricing and grading.

28 RISK MANAGEMENT (continued)

Risk management structure (continued)

Credit Committee (CC) (continued)
The major roles of CC includes the following:
- Recommend reasonable and prudent credit policies and procedures to avoid undue risk and potential loss i.e., to obtain a reasonable return on a risk adjusted basis.
- Oversight of the identification and management of credit facilities, administration of the credit facilities and maintaining the quality of credit portfolio.
- Recommend credit proposal in exception to credit policy to the Board Risk Committee for their review and recommendation to the Board of Directors for their final review and approval.

Principal Investment Committee (PIC)
The purpose of the PIC is to review the performance of the Bank's Investment portfolio in line with the delegation of authority provided by the Board of Directors, trends affecting the investment portfolio, the administration of investment related policies, as well as the approval of proposals related to the Bank's Proprietary Investment Portfolio to ensure compliance with the applicable limit set by the BOD.

The major roles of PIC includes the following:
- Asset allocation strategy for the portfolio to achieve alignment with target returns.
- Review, update and approve the business model assumptions of the investment portfolio from strategy and accounting classification perspective.
- Maintain an oversight of the investment portfolio manged in line with the investment risk appetite approved by the Board of Directors.
- Approve specific investments, review the performance of the investment portfolio, make recommendation.
- Propose revision of the risk appetite threshold and limits to Board Risk Committee for their review and recommendation to Board of Directors for their final approval.

Asset and Liability Management Committee (ALCO)
ALCO is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also responsible for managing the funding, interest rate risk in the banking book and liquidity risks of the Bank.

The major roles of ALCO includes managing the following risks:

<u>Liquidity risk</u> – being the risk from the Bank's inability to meet obligations when they become due because of an inability to liquidate assets or to obtain adequate funding.
- To ensure compliance with the regulatory requirements and internal liquidity risk appetite limits approved by the Board of Directors.
- Review, monitor and propose update for counterparty bank's limit which includes credit limits for money market placements, foreign exchange transactions and Nostro balances.
- To review and approve recovery plan/contingency funding plan in line with the regulatory requirements and recommend it to the BRC for their review and recommendation to the Board of Directors for their final approval.
- Funding Liquidity Risks:
    - To monitor the level of depositor's concentration to ensure maintenance of stable funding resource.
    - To ensure maintenance of reasonable level of liquidity buffer though maintenance of HQLA for effective management of cost of funding requirement where required to raise liability from market.

<u>Statement of financial position risk</u>- being the following risks:
- Oversight of balance sheet management issues, such as balance sheet contractual maturity gaps and interest rate repricing gaps;
- Banks' balance sheet development, capital adequacy performance against the risk appetite; and the balance sheet efficiently taking a forward-looking view of changes to economic, regulatory, and competitive actions;
- Review the client's assets and liability pricing strategy and to ensure the FTP curves (in major currencies relevant to the Bank's balance sheet) are set at an appropriate level;
- To review and provide direction over concentration risk arising from both assets and liabilities side of the balance sheet; and
- To review and approve modelling assumptions used for estimating interest rate risk on the banking with behavioral maturity profiling assumptions of call accounts.

28 RISK MANAGEMENT (continued)

Risk management structure (continued)

Compliance AML Committee (CAC)
The CAC shall be responsible for implementing effective client due diligence and monitoring mechanisms and overseeing the Bank's compliance with all applicable AML laws, rules, and regulations.
The major roles of CAC includes the following:

- Review all new client relationships and decide to either approve or decline the prospective relationship;
- Review all new Introducer and Independent Asset Manager relationships and decide to either approve or decline the relationship;
- Discuss AML related compliance initiatives and issues;
- Review selected results of monitoring initiatives and taking necessary steps;
- Review Suspicious Transaction Reporting incidences and trends;
- Review AML related audit and compliance reports and regulator reports and associated remedial action taken, and take necessary steps to ensure proper and timely remedial actions; and
- Discuss and coordinate compliance training needs across the Bank.

Model Oversight Committee
The Model Oversight Committee shall be responsible for monitoring and supervising all material decisions in the steps of model life cycle. The committee to ensure all the decisions taken are transparent, justified and documented and inform Board Risk Committee of all the material decision taken with appropriate rationale in timely manner.

- Ensure Model Risk is managed appropriately across the Bank.
- Oversee the objective and strategy of each model.
- Approve material modelling decisions made in existing model.
- Review the model validation report performed by the Bank.
- Review the Bank's response to central bank queries related to model management regulations.

Information Security Committee
The information security committee of the Bank oversees and governs the establishment, implementation, maintenance and continual improvement of Information Security related risk. The committee is appointed by EXCO with the objective to oversee and direct the overall information security framework at the Bank.

- Providing input into the development, approval and implementation of Information Security and IT policies, guidelines and procedures.
- Discussing challanges regarding the implementation of Information Security policies and procedures and providing feedback from their respective departments or teams of the Bank.
- Ensure that the status of Information Security risks is up to date and approve the updated risk assessment.
- Oversee the Bank's compliance with applicable IT-related Policies and Guidelines as well as all applicable regulations.

Governance Committee
The Governance Committee of the Bank has objectives of resolving regulatory matters related to CBUAE and Securities and commodities Authority ("SCA") that requires coordination among Business, Risk management, Compliance incorporating feedback from Legal and Audit to advise the CEO on matters related to Governance.

- Provide guidance to management in relation to governance.
- Ensure policies and procedures are updated in line with the requirement.
- Ensure all regulatory observations from SCA and CBUAE are on track for closure.
- Discuss and ensure compliance with any new regulatory requirements from SCA and CBUAE.

Risk Management Department
The Risk Management Department (RMD) is integral to the Bank's risk governance framework, ensuring comprehensive oversight and control of risk across the Bank. RMD's responsibilities are given below:

- Ensures comprehensive oversight and control of risk across the enterprise by developing and implementing Risk Management Policy, procedures, and risk reports.
- Maintains risk models, adheres to internal risk limits and capital management parameters, and coordinates with business units (BUs) to formulate risk mitigation plans.
- Monitors credit, market, and liquidity limits, operational risk profiles, and information security risks, addressing proximity to risk limits, excesses, or breaches promptly.

28 RISK MANAGEMENT (continued)

Risk management structure (continued)

Risk Management Department (continued)

- Provides regular reports to the Chief Risk Officer (CRO) and senior management, and reviews limits, exposures, and breach reports.
- Designs Pillar II risk capital computation methodologies and stress scenarios, and updates on remediation plans for identified weaknesses.
- Reports on watch-listed credit exposures and non-performing loans, develops and analyzes individual risk reports, and presents aggregated Bank-wide risk reports.
- Provides input for Bank-wide risk management-related disclosures, ensuring robust and responsive risk governance, safeguarding the Bank from exceeding its risk appetite.

Internal Audit
Risk management processes throughout the Bank are subject to internal audit that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the BAC.

Risk measurement and reporting systems
Monitoring and controlling risks are primarily performed based on limits and the parameters established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. 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 is examined and processed to analyse, identify, and control early risks. This information, which includes aggregate credit exposure, liquidity ratios and risk profile changes, is presented to the management committees and ultimately to the BRC.

Periodic briefing is provided by the risk management department, to the relevant committees on the utilisation of limits, proprietary investments, and liquidity, plus any other risk developments.

Excessive risk concentration
Concentrations arise from collateral concentration, depositors' concentration and discrete maturity profiling of liability rather than uniform distribution of liability across multiple tenor. The Bank has unique proposition with clientele confined to a single segment HNWI which poses the potential to disrupt the stability of the liabilities primarily held in the form of call account. Concentration risk on the asset side arise when several issuer/counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Levels of industry/geographical concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Excessive concentration against a single issuer poses concentration risk for investment portfolio, whereas collateral concentration poses risk for secured loans and advances portfolio.

Risk mitigation
As part of its overall risk management, the Bank uses risk appetite limits and thresholds, well documented internal models captured within the policies approved by the Board of Directors and simultaneously ensuring maximum compliance with risk management standards and regulation from CBUAE to manage risks associated with the changes in credit profile of loans and advances and credit spread widening of credit risk sensitive securities, market risk arising from FX- Net Open positions, equity exposures and interest rate risk in the banking book due to asset liability repricing gap profile of the Bank. The Bank constantly monitors credit and investment portfolio and ensures it remains diversified to mitigate risk in relation to concentration of exposure towards a particular issuer for investment exposures, collateral diversification in case of secured financing against liquid securities. All the collaterals held for secured financing are valued on a daily basis whereas real estate collaterals are revalued on an annual basis. For the mitigation of interest rate risk on the banking book, all the loans and advances of the bank are repricing in nature with interest reset happening for all the loans on a quarterly basis, portfolio duration of the investment allocation are tightly controlled with forward looking view on the interest rate movement due to changes in macroeconomic conditions by adequately capturing it within risk appetite threshold approved by the Board of Directors. The Bank maintains a reasonable level of liquidity buffer in the form of cash and cash equivalent investments in the form of high-quality liquid asset which can be utilised for collateralized borrowings against the credit lines maintained with multiple counterparties to cover the risk posed by liability concentration and nature of liabilities.

Current economic and geopolitical situation
The Bank has considered the impact of the current economic and geopolitical situation while assessing the different risks the Bank is exposed to, as outlined below.

28 RISK MANAGEMENT (continued)

Credit risk
Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Bank. Such risk arises from lending, treasury and other activities undertaken by the Bank. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, policies, and procedures. The management of credit risk also involves the monitoring of risk concentrations by industrial sector as well as by geographic location.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimation as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using the concept of Expected Loss which requires the following measures:

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

Credit risk grading
The Bank has an internal credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral evaluations. For investments, counterparty limits are established using a credit risk classification system that assigns each counterparty a risk rating based on the worst rating from S&P, Moody's, and Bloomberg Risk Rating. The probability of default for each credit grade is calibrated to increase exponentially with lower ratings. For the real estate backed loans and advances , risk ratings and probability of default are assigned using a logit curve to map Bloomberg risk ratings and probability of default. These parameters are regularly revised based on updates from rating agencies. The credit quality review process enables the Bank to assess potential losses and take corrective actions as needed.

Investments external risk ratings are mapped into following grades:

S&P Rating	**Moody's Rating**	**Bloomberg Composite**	**Grade**
AAA to A-	Aaa to A3	AAA to A-	Prime and high grade
BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	Standard grade
BB+ and below	Ba1 and below	BB+ and below	Sub-standard grade
D	D	D	Past due

Borrower internal risk ratings are mapped into the following grades:

Internal Rating Band (Loans and Advances)	**Definition**	**Grade**
1-3	Low risk	Prime and high grade
4-5	Satisfactory risk	Standard grade
6-7	Watch List	Sub-standard grade
8-10	Loss/Impaired	Past due (more than 90 days)

Expected credit loss measurement
Under IFRS 9, Expected Credit Losses (ECL) represent the weighted average of credit losses, with the probability of default (PD) as the weight. This approach is forward-looking and requires entities to estimate the expected credit losses over the life of a financial instrument. These figures are typically derived from statistical models and historical data, adjusted to incorporate probability-weighted forward-looking information.

The Model Oversight Committee is the committee responsible for the oversight of IFRS 9 ECL provisions. Further, the Board approved the IFRS 9 Policy which includes the provisioning process and associated provisions as presented by the CRO, as per Article 9.16 of the Credit Risk Management Regulation and accompanying Standards, (Circular No. 3/2024 dated 25 July 2024). The Model Oversight Committee has reviewed the calculation process, methodology, and the results of provisions as presented by the CRO.

28 RISK MANAGEMENT (continued)

Credit risk (continued)

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). However, the amount recognized as loss allowance for such assets is not the total amount of lifetime expected credit loss, but instead the changes in lifetime expected credit losses since initial recognition of the asset.

Significant increase in credit risk (SICR)
The Bank continuously monitors all financial assets subject to impairment requirements to evaluate any significant increase in credit risk since their initial recognition. Upon identifying a significant increase in credit risk, the Bank measures the loss allowance based on lifetime expected credit losses (ECL) rather than the 12-month ECL. The Bank employs a combination of qualitative and quantitative criteria to determine significant increases in credit risk. The significant increase in credit risk (SICR) indicators for each asset type and the corresponding rating deterioration are summarized below.

For the investment portfolio, the SICR criteria are:

- A price decrease of the instrument by more than 15% from its amortized cost or since the last quarter.
- A rating deterioration of the instrument by two notches, placing it in the High Yield Category (lower than BBB-).
- Securities with significant credit spread widening.

For the Loans and Advances Portfolio, the criteria for Significant Increase in Credit Risk (SICR) are:

- Overdue performance with Days Past Due (DPD) exceeding 30, unless overridden by a rebuttable analysis.
- Presence of a watch-list flag.
- Restructured facilities and evident signs of distress, including industry-level news on issuer distress.
- Any individual credit facility of an obligor with three or more deferrals of installments due within a rolling 24-month period, unless there is supportable and documented evidence that no SICR has occurred.

Definition of default and credit-impaired assets
The Bank defines a loan, due from bank and investment instrument as in default, which is fully aligned with the definition of credit impaired. According to the Basel definition, default is considered to have occurred with regard to particular obligors when any one of the following events has taken place:

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

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Expected credit loss measurement (continued)

Following the above guidelines, the criteria for moving to Stage 3 are as follows:

Investments
- Any investments are immediately classified as default in case of a missed interest payment.

Loans and Advances
- Accounts are classified as default as soon as they go beyond 90 days past due (90+ DPD).
- A credit facility is regarded as a distressed restructuring if any of its terms are formally amended due to the financial difficulty of the obligor, in order to obtain concessions for economic or legal reasons.
- Any type of restructuring that is in standstill for more than 90 days, during which the obligor is not meeting its financial obligations as per the terms of the original facility, shall be considered as default.

An instrument is considered to no longer be in default (i.e., to have cured) when it meets the criteria provided by CBUAE and in line with IFRS 9. An exposure cannot be upgraded directly from Stage 3 to Stage 1. It must first be upgraded to Stage 2 and then undergo a probation period before moving to Stage 1. For restructured exposures, a probationary period is assigned as follows: a minimum of three installments for monthly repayment schedules, and at least one installment for repayment schedules with longer intervals, before upgrading from Stage 3 to Stage 2. These installments must be composed of payments as per the terms of the facility agreement and must not be funded via a new facility provided by the Bank. All restructured exposures that have moved from Stage 3 to Stage 2 must undergo the specified probation period before being upgraded from Stage 2 to Stage 1.

Re-classification of accounts from Stage 2 to Stage 1 is permissible only when there is adequate information highlighting an improvement in the condition of the obligor, and all conditions that led to the downgrade no longer persist during the 'Cure period'.

Measuring ECL – Explanation of inputs, assumptions, and estimation techniques
The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Bank has adopted a forward-looking exposure at default method for computing the ECL for each facility.

The Bank conducts a quarterly granular computation of ECL and its constituents - PD, LGD and EAD:
- *Probability of Default (PD)*: Represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- *Exposure at Default (EAD)*: Based on the amounts expected to be owed at the time of default, over the remaining lifetime (Lifetime EAD).
- *Loss Given Default (LGD)*: Reflects the expected extent of loss on a defaulted exposure and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD.

Lifetime expected credit losses (ECL) result from all probable default events over the expected lifetime of the financial instrument. ECL is calculated as the product of PD, LGD, and EAD, all discounted using the Effective Interest Rate (EIR). The Bank has enhanced estimation techniques and assumptions for ECL, calibrating the model based on updated macro-economic information in line with IFRS 9 regulatory requirements.

Model Calibration and Portfolio Considerations
The PD model for the investment portfolio is calibrated using external PD sources such as S&P, historical macroeconomic data, and recent forward-looking predictions. Similarly, the real estate collateral backed loans portfolio is calibrated using external PD sources like Bloomberg, historical macroeconomic data, and recent forward-looking predictions. LGD follows the Foundation Internal Ratings-Based (F-IRB) approach for all portfolios, and EAD is estimated as the outstanding exposure at default.

ECL is calculated at an individual instrument level for investment and real estate collateral backed loans and advances , which are major components of the Bank's asset book. For margin loans and advances, a pool-level rating and PD are applied, with a single rating assigned at origination. If a client faces a significant increase in credit risk (SICR), their rating is downgraded by two notches, resulting in a higher PD.

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Impact of current economic and geopolitical situation on credit risk
On 24 February 2022, the military conflict between Russia and Ukraine started. As a result, a number of countries have and continue to impose new sanctions against Russian government entities, state-owned enterprises and certain specified entities and individuals linked to Russia anywhere in the world. Emergence of this situation led to fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources however the situation has subsided over a period of time and the economy remains on the strong hold. To curtail possible associated risks of current economic and geopolitical situation, the Bank has transitioned with majority of the investment assets to high quality investment grade issuances. Regional Middle East crisis which has emerged over recent years did not pose any material implication on the financial position of the Bank as real estate collateral for secured lending is confined to UAE, and liquid collaterals which are held with the Bank for Lombard lending are primarily global securities with concentration in developed markets. Exposure against GCC securities are mostly confined to the securities with stable sovereign rating and equities collaterals within GCC are mostly from UAE with robust LTV model to assess the eligibility of the security for any advance.

The Bank's investment in Russian bonds (before provision for ECL) is as below:

	Amortised cost	Amortised cost
	2024	*2023*
	AED'000	*AED'000*
Investments at amortised cost	**9,304**	9,304
Investments at fair value through other comprehensive income	**5,485**	5,485
	14,789	14,789

Detailed portfolio reviews are conducted on an ongoing basis and the Bank is applying increased scrutiny when onboarding clients/securities in sensitive industries and geography and is ensuring compliance with sanctions requirements. The Bank continues to monitor the current Russia–Ukraine geopolitical situation and its impact on the economy and will mitigate its exposures and risks as appropriate. Investment Risk Appetite has been revised post this event and any geography which reflects the emergence of any geopolitical risk and sectoral risk, proactive decisions are taken by the Bank to roll back the limit as part of risk appetite as a proactive approach of risk management. However, client onboarding risk is governed within separate risk appetite governed by the Compliance Department of the Bank.

Impact of current economic and geopolitical situation on measurement of ECL
IFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Bank utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes.

The Bank has reviewed the potential impact of economic and geopolitical unrest outbreak on the inputs and assumptions for IFRS 9 ECL measurement. In light of the current economic situation and ongoing sanctions, the Bank has utilized stressed / punitive credit ratings and haircuts on securities, where relevant, within the ECL framework, thereby ensuring a pragmatic view and sufficient coverage from a provision standpoint. The Bank is continuously monitoring the situation and is actively managing any direct exposure.

In respect of the loans and advances portfolio, the Bank is conducting frequent reviews of the Loan to Value ("LTV") ratios on the collateral held against loans given to customers. Accordingly, all staging and banking decisions are subject to regular review to ensure these reflect an accurate view of the Bank's assessment of the customers' creditworthiness, staging and banking as of the reporting date. The Bank has reassessed its portfolio of Stage 1, Stage 2 and Stage 3 customers as of 31 December 2024.

For its investment portfolio, the Bank has evaluated whether the investment portfolio has suffered a significant deterioration in credit quality. Based on ratings from external rating agencies and assessment of any increase in probability of default, the Bank has assessed whether there has been a significant increase in credit risk for investments and whether these investments are credit impaired and assessed the impact on ECL as of 31 December 2024.

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Impact of current economic and geopolitical situation on measurement of ECL (continued)
In earlier year, the Bank had transferred its investments in Russian bonds to stage 3. To reflect the credit impairment on these investments, the Bank has recognized an ECL on these stage 3 instruments as below:

	2024 AED'000	*2023 AED'000*
Investments at amortised cost	**9,304**	9,304
Investments at fair value through other comprehensive income	**5,485**	5,485
	14,789	14,789

During the year ended 31 December 2023, the Bank had sold a Russian investment measured at amortised cost amounting to AED 20,723 thousand and recognised a loss of AED 4,835 thousand. The Bank reversed the corresponding ECL on this investment amounting to AED 20,723 thousand.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The table below shows the maximum exposure to credit risk for the components of the statement of financial position (excluding cash in hand and investments in equity instruments) including guarantees. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements and before allowance and impairment, if any.

	2024 AED'000	2023 AED'000
Balances with Central Bank of the UAE (note 6)	**893,187**	1,065,536
Due from banks (note 7)	**527,483**	653,913
Investments in debt instruments (note 8)	**2,653,196**	2,188,792
Loans and advances (note 9)	**909,651**	493,696
Other assets	**40,046**	25,810
	5,023,563	4,427,747
Guarantees (note 24)	**11,034**	11,074
Total credit risk exposure	**5,034,597**	4,438,821

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.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

Risk concentrations of the maximum exposure to credit risk
Concentration of risk is managed by customer/counterparty and by geographical region. The maximum credit exposure to any customer or counterparty (excluding balances with Central Bank of the UAE) as of 31 December 2024 was AED 402,200 thousand (2023: AED 128,864 thousand) before taking account of collateral or other credit enhancements.

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Risk exposure to credit risk by geographical regions

The Bank's financial assets (excluding cash in hand and investments in equity securities) including guarantees, before taking into account any collateral held or other credit enhancements, can be analysed by the following geographical regions:

	2024		2023	
	Assets AED'000	**Guarantees AED'000**	Assets AED'000	Guarantees AED'000
United Arab Emirates	**2,879,636**	**11,034**	2,492,536	11,074
North America	**718,091**	**-**	506,830	-
Europe	**540,317**	**-**	431,689	-
GCC & other ME	**325,509**	**-**	449,333	-
Others	**560,010**	**-**	547,359	-
	5,023,563	**11,034**	4,427,747	11,074

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using external rating by assigning worst of the S&P, Moody's, and Fitch rating for investment exposure and due from Bank whereas internal credit ratings for the loans and advances portfolio. The table below shows the credit quality of the Bank's financial assets (excluding cash in hand and investments in equity instruments), based on the Bank's credit rating system as specified above.

2024

	Neither past due nor impaired				
	Prime and high grade AED'000	**Standard grade AED'000**	**Sub- standard grade AED'000**	**Past due AED'000**	**Total AED'000**
Balances with Central Bank of the UAE (note 6)	**893,187**	**-**	**-**	**-**	**893,187**
Due from banks (note 7)	**454,310**	**71,337**	**1,836**	**-**	**527,483**
Investments in debt instruments (note 8)	**1,297,106**	**1,195,636**	**128,031**	**32,423**	**2,653,196**
Loans and advances (note 9)	**-**	**900,702**	**-**	**8,949**	**909,651**
Other assets	**8,961**	**26,042**	**5,043**	**-**	**40,046**
	2,653,564	**2,193,717**	**134,910**	**41,372**	**5,023,563**

2023

	Neither past due nor impaired				
	Prime and high grade AED'000	Standard grade AED'000	Sub- standard grade AED'000	Past due AED'000	Total AED'000
Balances with Central Bank of the UAE (note 6)	1,065,536	-	-	-	1,065,536
Due from banks (note 7)	524,647	128,732	534	-	653,913
Investments in debt instruments (note 8)	963,299	953,117	239,953	32,423	2,188,792
Loans and advances (note 9)	-	485,955	-	7,741	493,696
Other assets	5,540	14,520	5,750	-	25,810
	2,559,022	1,582,324	246,237	40,164	4,427,747

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit and investment portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across lines of business, geographic regions, and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. The attributable risk ratings are assessed and updated regularly. The Moody's equivalent grades are relevant only for certain exposures where risk ratings are based on the Bank's internal rating.

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

2024

	ECL staging			
	Stage 1 12-month ECL AED'000	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Balances with Central Bank of the UAE (note 6)	**893,187**	**-**	**-**	**893,187**
Due from banks (note 7)	**527,483**	**-**	**-**	**527,483**
Investments in debt instruments (note 8)	**2,617,459**	**3,314**	**32,423**	**2,653,196**
Loans and advances (note 9)	**900,702**	**-**	**8,949**	**909,651**
Other assets	**40,046**	**-**	**-**	**40,046**
Total	**4,978,877**	**3,314**	**41,372**	**5,023,563**
Guarantees (note 23)	**11,034**	**-**	**-**	**11,034**
Total credit risk exposure	**4,989,911**	**3,314**	**41,372**	**5,034,597**

2023

	ECL staging			
	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Balances with Central Bank of the UAE (note 6)	1,065,536	-	-	1,065,536
Due from banks (note 7)	653,913	-	-	653,913
Investments in debt instruments (note 8)	2,135,100	21,269	32,423	2,188,792
Loans and advances (note 9)	485,955	-	7,741	493,696
Other assets	25,810	-	-	25,810
Total	4,366,314	21,269	40,164	4,427,747
Guarantees (note 23)	11,074	-	-	11,074
Total credit risk exposure	4,377,388	21,269	40,164	4,438,821

Collateral and other credit enhancements

The amount and quality of collateral are given due consideration along with an assessment of the credit risk of the counterparty and product parameters. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are generally cash, investment securities and real estate properties.

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Collateral and other credit enhancements (continued)

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The table below details the fair value of the collateral, which is updated regularly:

	2024 AED'000	2023 AED'000
Against individually impaired loans and advances		
Secured by marketable securities	**-**	-
Against loans and advances not impaired		
Secured by marketable securities	**246,499**	277,759
Secured by real estate properties	**1,357,840**	935,171
Secured by customer deposits	**402,235**	90,000
Total	**2,006,574**	1,302,930

Collateral is effectively used as credit risk mitigating tools by the Bank. The quality of collateral is continuously monitored and assessed, and the Bank seeks to ensure enforceability of the collateral. Major categories of collaterals are as included in the above table. Collateral is revalued regularly as per the Bank's credit policy. This enables the Bank to assess the fair market value of the collateral and ensure that risks are appropriately managed.

Movement in gross carrying amount

The following table explains the changes in the gross carrying amount from 1 January 2024 to 31 December 2024:

	Stage 1 12-month ECL AED'000	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Due from banks				
As at 1 January 2024	**653,913**	**-**	**-**	**653,913**
New financial assets originated	**330,749**	**-**	**-**	**330,749**
Repayment and other movements	**(457,179)**	**-**	**-**	**(457,179)**
As at 31 December 2024	**527,483**	**-**	**-**	**527,483**
Loans and advances				
As at 1 January 2024	**485,956**	**-**	**7,740**	**493,696**
Transfers				
Transfer from Stage 1 to Stage 2	**(352)**	**352**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(352)**	**352**	**-**
New financial assets originated	**648,661**	**-**	**-**	**648,661**
Repayments and other movements	**(233,563)**	**-**	**857**	**(232,706)**
As at 31 December 2024	**900,702**	**-**	**8,949**	**909,651**
Investments – measured at amortised cost				
As at 1 January 2024	**361,600**	**3,673**	**32,423**	**397,696**
New financial assets originated	**43,186**	**-**	**-**	**43,186**
Repayment and other movements	**(240,201)**	**(3,673)**	**-**	**(243,874)**
As at 31 December 2024	**164,585**	**-**	**32,423**	**197,008**

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Movement in gross carrying amount (continued)

The following table explains the changes in the gross carrying amount from 1 January 2023 to 31 December 2023:

	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Due from banks				
As at 1 January 2023	912,533	-	-	912,533
New financial assets originated	402,370	-	-	402,370
Repayment and other movements	(660,990)	-	-	(660,990)
As at 31 December 2023	653,913	-	-	653,913
Loans and advances				
As at 1 January 2023	987,484	4,512	27,062	1,019,058
New financial assets originated	99,045	-	-	99,045
Repayments and other movements	(600,573)	(4,512)	(19,322)	(624,407)
As at 31 December 2023	485,956	-	7,740	493,696
Investments – measured at amortised cost				
As at 1 January 2023	506,148	17,128	53,146	576,422
Repayment and other movements	(144,548)	(13,455)	(20,723)	(178,726)
As at 31 December 2023	361,600	3,673	32,423	397,696

Movement in loss allowance

The following table explain the changes in the loss allowance from 1 January 2024 to 31 December 2024:

	Stage 1 12-month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Due from banks				
As at 1 January 2024	**364**	**-**	**-**	**364**
New financial assets originated	**15**	**-**	**-**	**15**
Changes in PDs/LGDs/EADs	**(169)**	**-**	**-**	**(169)**
As at 31 December 2024	**210**	**-**	**-**	**210**
Loans and advances				
As at 1 January 2024	**1,007**	**-**	**7,650**	**8,657**
Transfers				
Transfer from Stage 1 to Stage 2	**(1)**	**1**	**-**	**-**
Transfer from Stage 2 to Stage 3	**-**	**(1)**	**1**	**-**
New financial assets originated	**1,919**	**-**	**-**	**1,919**
Changes in PDs/LGDs/EADs	**(361)**	**-**	**787**	**426**
As at 31 December 2024	**2,564**	**-**	**8,438**	**11,002**
Investments – measured at amortised cost				
As at 1 January 2024	**821**	**15**	**32,423**	**33,259**
New financial assets originated	**37**	**-**	**-**	**37**
Changes in PDs/LGDs/EADs	**(669)**	**(15)**	**-**	**(684)**
As at 31 December 2024	**189**	**-**	**32,423**	**32,612**

28 RISK MANAGEMENT (continued)

Credit risk (continued)

Movement in loss allowance (continued)

The following table explain the changes in the loss allowance from 1 January 2023 to 31 December 2023:

	Stage 1 12-month ECL AED'000	***Stage 2 Lifetime ECL AED'000***	***Stage 3 Lifetime ECL AED'000***	***Total AED'000***
Due from banks				
As at 1 January 2023	113	-	-	113
New financial assets originated	24	-	-	24
Changes in PDs/LGDs/EADs	227	-	-	227
As at 31 December 2023	364	-	-	364
Loans and advances				
As at 1 January 2023	974	24	22,443	23,441
New financial assets originated	195	-	-	195
Changes in PDs/LGDs/EADs	(162)	(24)	(14,793)	(14,979)
As at 31 December 2023	1,007	-	7,650	8,657
Investments – measured at amortised cost				
As at 1 January 2023	2,127	1,658	53,146	56,931
Changes in PDs/LGDs/EADs	(1,306)	(1,643)	(20,723)	(23,672)
As at 31 December 2023	821	15	32,423	33,259

All guarantees issued by the Bank are collateralised by cash and classified as stage 1 within the ECL model as at 31 December 2024 and 31 December 2023.

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its short-term cash outflows and net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately and sudden withdrawal of client deposits. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind and by maintaining a healthy balance of cash and cash equivalents in the form of high-quality liquid asset (HQLA).

The Bank maintains a portfolio of highly liquid marketable securities and diverse assets that can 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 through repo lines by borrowing against liquid assets without realizing loss from the sale of securities during adverse market events. To guard against sudden deposit withdrawal risk, the Bank maintains reasonable amount of liquidity buffer by maintaining a reasonable amount high quality liquid asset which intends to have a repo eligibility with minimal amount of haircut even during stressed market scenario. In addition, the Bank maintains a statutory reserve with the Central Bank of UAE which can be withdrawn entirely on any day for daily settlement purposes, provided that the daily average requirements over a 14-day reserve maintenance period is maintained. 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.

Maturities of assets and liabilities at the date of the statement of financial position are set out in the table on the next page based on the remaining period to the contractual maturity date without taking account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

28 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2024

	Less than 3 months AED'000	From 3 months to 6 months AED'000	From 6 months to 12 months AED'000	Subtotal less than 12 months AED'000	1 – 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 Central Bank of UAE	**893,752**	**-**	**-**	**893,752**	**-**	**-**	**-**	**-**	**893,752**
Due from banks, net	**521,764**	**-**	**5,509**	**527,273**	**-**	**-**	**-**	**-**	**527,273**
Investments, net	**323,128**	**351,515**	**64,856**	**739,499**	**1,590,997**	**290,160**	**1,881,157**	**118,360**	**2,739,016**
Loans and advances, net	**512,590**	**103,970**	**237,708**	**854,268**	**43,870**	**-**	**43,870**	**-**	**898,138**
Other assets and deferred tax assets	**32,309**	**8,668**	**5,840**	**46,817**	**9,583**	**-**	**9,583**	**190**	**56,590**
Property, equipment and intangible assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,101**	**3,101**
Total assets	**2,283,543**	**464,153**	**313,913**	**3,061,609**	**1,644,450**	**290,160**	**1,934,610**	**121,651**	**5,117,870**
LIABILITIES AND EQUITY									
Customer deposits	**3,129,598**	**203,950**	**319,124**	**3,652,672**	**25,000**	**-**	**25,000**		**3,677,672**
Current tax liabilities			**11,443**	**11,443**	**-**	**-**	**-**	**-**	**11,443**
Other liabilities	**52,430**	**5,489**	**7,706**	**65,625**	**16,992**	**-**	**16,992**	**-**	**82,617**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,346,138**	**1,346,138**
Total liabilities and equity	**3,182,028**	**209,439**	**338,273**	**3,729,740**	**41,992**	**-**	**41,992**	**1,346,138**	**5,117,870**
Net liquidity gap	**(898,485)**	**254,714**	**(24,360)**	**(668,131)**	**1,602,458**	**290,160**	**1,892,618**	**(1,224,487)**	

The liquidity gap of the Bank is closely monitored by the ALCO. The Bank maintains a reasonable level of high quality assets to borrow against the repo lines to cover the contractual gaps with multiple counterparties and maintains reasonable level of unutilized money market limits to raise sufficient funding to manage unexpected outflows. The Bank continues to monitor its liquidity positions to ensure it has sufficient liquidity.

28 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2023

	Less than 3 months AED'000	From 3 months to 6 months AED'000	From 6 months to 12 months AED'000	Subtotal less than 12 months AED'000	1 – 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 UAE Central Bank	1,065,963	-	-	1,065,963	-	-	-	-	1,065,963
Due from banks, net	648,040	-	5,509	653,549	-	-	-	-	653,549
Investments, net	424,867	317,004	400,340	1,142,211	911,847	101,475	1,013,322	138,545	2,294,078
Loans and advances, net	155,465	68,898	260,586	484,949	-	-	-	-	484,949
Other assets	17,269	8,012	6,099	31,380	5,657	-	5,657	797	37,834
Property, equipment and intangible assets	-	-	-	-	-	-	-	4,034	4,034
Total assets	2,311,604	393,914	672,534	3,378,052	917,504	101,475	1,018,979	143,376	4,540,407
LIABILITIES AND EQUITY									
Customer deposits	2,777,824	106,182	266,456	3,150,462	45,250	-	45,250		3,195,712
Other liabilities	106,630	3,941	5,033	115,604	7,414	-	7,414	7,352	130,370
Equity	-	-	-	-	-	-	-	1,214,325	1,214,325
Total liabilities and equity	2,884,454	110,123	271,489	3,266,066	52,664	-	52,664	1,221,677	4,540,407
Net liquidity gap	(572,850)	283,791	401,045	111,986	864,840	101,475	966,315	(1,078,301)	

28 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 the year-end based on remaining 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, accordingly, the table below does not reflect the expected cash flows based on Bank's deposit retention history.

31 December 2024

	On demand AED'000	**Less than 3 months AED'000**	**3 to 12 months AED'000**	**1 to 5 years AED'000**	**Total AED'000**
Customer deposits	**1,046,932**	**2,091,789**	**535,977**	**26,335**	**3,701,033**
Other liabilities	**-**	**52,544**	**13,493**	**17,683**	**83,720**
	1,046,932	**2,144,333**	**549,470**	**44,018**	**3,784,753**

31 December 2023

	On demand AED'000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	Total AED'000
Customer deposits	1,248,471	1,533,954	383,266	48,085	3,213,776
Other liabilities	-	106,655	9,034	7,467	123,156
	1,248,471	1,640,609	392,300	55,552	3,336,932

The Bank maintains liquidity projection schedules which are assessed monthly by asset liability committee (ALCO). ALCO ensures to track the projected liquidity requirements emanating from different business segment and monitor the anticipated cash flows. The Bank conducts stress testing based on the agreed assumptions as advised by the BOD annually as a capital planning process.

The Bank maintains liquidity buffers taking into consideration depositors run-off and market wide stress with reduced LTV for repo lines against repo eligible securities. Liquidity buffers are maintained by always having reasonable level of HQLA which are dynamically managed by the Bank to cover any short-term contractual gap or unanticipated gap which might emerge in future. The Bank ensures to maintain a diversified pool of securities in the investment portfolio with repo eligibility with a proper mix of credit rating to keep the cost of borrowing and haircut on collateral at minimal level. Due considerations are given by maintaining secured and unsecured credit lines with multiple counterparties to avoid the risk of sudden withdrawal of credit lines by the counterparty in the stressed liquidity situations.

The Bank has clearly set out contingency funding strategy (CFP) for addressing the liquidity shortfalls in emergency situations. Plan outlines the guidelines to manage range of stress environments with clear line of responsibility and escalation procedure. As a part of the plan, the Bank ensures that it always maintains adequate financial resources so that there is no significant risk that its liabilities cannot be met as they fall due or operational services cannot be maintained due to lack of liquidity. The Bank's CFP incorporates a credible recovery option that can restore the Bank's capital, liquidity and/or profitability so that it can continue to operate sustainably and viably in case any crisis materializes. The crisis framework is designed to ensure that crisis is identified at an early stage and adequately managed via early warning indicators.

28 RISK MANAGEMENT (continued)

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 Principal Investment Committee.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future economic value or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches on the repricing gap profile in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period.

The Board has established levels of interest rate risk in the banking book by setting interest rate sensitivity limits. The Bank conducts periodic assessment of asset-liability mismatch and key underlying assumptions driving the interest rate risk in the banking book. For each of the maturity buckets, the difference between interest sensitive assets and interest sensitive liabilities are analysed to arrive at the interest rate repricing gap. This interest rate repricing gap across the tenor are then used to assess the impact on economic value of equity scenario based forward changes in the interest rate yield curve. The Bank measures the impact of interest rate risk in the banking book in the form of impact on economic value of equity (EVE) by applying 200bps upward or downward parallel shift in the interest rate curve in line with the regulatory requirements.

IBOR reform
The Bank’s transition program was completed during the year ended 31 December 2023. At 31 December 2024 and 2023 there were no financial instruments which were referenced to significant IBORs**.**

28 RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

Interest rate repricing profile
The following table provides an analysis of the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

31 December 2024

	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 bearing AED'000	Total AED'000
Cash and balances with Central Bank of the UAE	663,000	-	-	-	230,752	893,752
Due from banks, net	521,764	5,509	-	-	-	527,273
Investments, net	322,942	418,371	1,588,003	291,268	118,432	2,739,016
Loans and advances, net	898,138	-	-	-		898,138
Other assets and deferred tax assets	29,357	7,752	-		19,481	56,590
Others	-	-	-	-	3,101	3,101
	2,435,201	**431,632**	**1,588,003**	**291,268**	**371,766**	**5,117,870**
Customer deposits	2,508,558	862,803	306,311	-	-	3,677,672
Current tax liabilities	-	-	-	-	11,443	11,443
Other liabilities	17,571	12,020	7,934	-	45,092	82,617
Equity	-	-	-	-	1,346,138	1,346,138
	2,526,129	**874,823**	**314,245**	**-**	**1,402,673**	**5,117,870**
Interest sensitivity gap	**(90,928)**	**(443,191)**	**1,273,758**	**291,268**	**(1,030,907)**	**-**

28 RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

Interest rate repricing profile (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 bearing AED'000	Total AED'000
Cash and balances with Central Bank of the UAE	-	-	-	-	1,065,963	1,065,963
Due from banks, net	648,041	5,508	-	-	-	653,549
Investments, net	458,481	710,338	900,239	113,334	111,686	2,294,078
Loans and advances, net	484,949	-	-	-		484,949
Other assets	14,102	9,118	-		14,614	37,834
Property, equipment and intangible assets	-	-	-	-	4,034	4,034
	1,605,573	724,964	900,239	113,334	1,196,297	4,540,407
				-		
Customer deposits	2,777,823	372,639	45,250	-	-	3,195,712
Other liabilities	12,065	7,977	7,268	-	103,060	130,370
Equity	-	-	-	-	1,214,325	1,214,325
	2,789,888	380,616	52,518	-	1,317,385	4,540,407
Interest sensitivity gap	(1,184,315)	344,348	847,721	113,334	(121,088)	-

28 RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

The following table demonstrates the impact on economic value of equity (EVE) due to a 200 bps upward parallel shift in interest rates, with all other variables held constant, of the Bank's statement of core equity (CET1) excluding provision and revaluation reserves for the complete banking book profile of the Bank. The Bank also computes the earnings at risk (EaR) applying a parallel upward 200bps shift in the interest rate curve for all the repricing assets and liabilities maturing within one year tenor.

	Impact on net profit 2024 AED'000	**Impact on equity 2024 AED'000**	Impact on net profit 2023 AED'000	Impact on equity 2023 AED'000
Increase in 200 basis points	**8,075**	**(103,587)**	4,252	(57,492)

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 net open positions by currency. Net open positions are monitored on a daily basis and strategies used to ensure positions are maintained within established limits.

Major currency wise open positions of the Bank are as follows:

	2024 Long/(short) AED'000	2023 Long/(short) AED'000
Euro	**1,032**	(10,245)
Pound Sterling	**(70)**	(168)
Swiss Francs	**150**	(46)
US Dollars	**541,291**	420,610

Since the UAE Dirham is pegged to the US Dollar, management believes that presently the Bank is not exposed to any significant foreign currency risk in respect of the US Dollar.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Bank's private equity investment portfolio.

The effect on equity due to a reasonably possible change in equity markets, with all other variables held constant, is as follows:

	Change in equity price 2024 %	**Effect on equity 2024 AED'000**	Change in equity price 2023 %	Effect on equity 2023 AED'000
Abu Dhabi Securities Market	+/-10	**648**	+/-10	615
Dubai Financial Market	+/-10	**8,476**	+/-10	6,795
Net asset value of managed funds and private equities	+/-10	**2,712**	+/-10	6,397
Other exchanges	+/-10	**-**	+/-10	41

28 RISK MANAGEMENT (continued)

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 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value represents the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences can therefore arise between book-value under the historical cost method and fair value estimates.

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

Fair value hierarchy of investments is disclosed under note 8.

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their carrying values before provision, if any.

	At fair value through profit or loss AED'000	At fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
31 December 2024				
Financial assets				
Cash and balances with Central Bank of the UAE	-	-	**893,752**	**893,752**
Due from banks	-	-	**527,483**	**527,483**
Investments	**18,489**	**2,556,059**	**197,008**	**2,771,556**
Loans and advances	-	-	**909,651**	**909,651**
Other assets	-	-	**40,046**	**40,046**
	18,489	**2,556,059**	**2,567,940**	**5,142,488**
Financial liabilities				
Customer deposits	-	-	**3,677,672**	**3,677,672**
Current tax liabilities	-	-	**11,443**	**11,443**
Other liabilities	-	-	**82,617**	**82,617**
	-	-	**3,771,732**	**3,771,732**

The transfer between levels during the year ended 31 December 2024 for investments is disclosed in note 8.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

	At fair value through profit or loss AED'000	At fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
31 December 2023				
Financial assets				
Cash and balances with Central Bank of the UAE	-	-	1,065,963	1,065,963
Due from banks	-	-	653,913	653,913
Investments	56,819	1,872,750	397,696	2,327,265
Loans and advances	-	-	493,696	493,696
Other assets	-	-	25,810	25,810
	56,819	1,872,750	2,637,078	4,566,647
Financial liabilities				
Customer deposits	-	-	3,195,712	3,195,712
Other liabilities	-	-	130,370	130,370
	-	-	3,326,082	3,326,082

There was no transfer between levels during the year ended 31 December 2023.

With the exception of debt investments measured at amortised cost (where the fair values are disclosed in note 8), management considers that the carrying amounts of financial assets and liabilities measured at amortised cost in the financial statements approximate their fair values as these are substantially short term in nature and carry market rates of interest.

30 CAPITAL ADEQUACY

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

Minimum capital requirements
The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital. The follow up Guidance for Capital Adequacy of Banks in the UAE which came in November 2020 captures the aspect of Counterparty Credit Risk, Credit Valuation Adjustment, Equity Investment in Funds and Securitized assets. The CBUAE has re-issued the Capital Adequacy Guidance in December 2023 primarily covering the aspect of internal assessment of surplus/deficit of capital from ICAAP.

Additional capital buffers (Capital Conservation Buffer (CCB) of 2.5%) introduced over and above the minimum CET1 requirement of 7%.

30 CAPITAL ADEQUACY (continued)

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

- CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under ‘CBUAE’ guidelines.
- T2 capital comprises undisclosed reserves.

The capital adequacy ratio as per Basel III framework is given below:

	2024 AED’000	2023 AED’000
Common Equity Tier 1 capital		
Issued capital	**1,000,000**	1,000,000
Statutory reserve	**56,625**	45,754
Retained earnings	**226,190**	132,176
Fair value reserve	**(224)**	(12,157)
Regulatory deductions	**(486)**	(844)
Impairment reserve-general (note 16)	**(29,832)**	-
Total CET I capital	**1,252,273**	1,164,929
Tier II capital		
Eligible general provisions	**27,329**	22,926
Total Tier II capital	**27,329**	22,926
Total eligible capital	**1,279,602**	1,187,855
Risk weighted exposure		
Credit risk	**2,186,315**	1,834,099
Market risk	**2,873**	10,498
Operational risk	**295,768**	223,233
Total	**2,484,956**	2,067,830
Capital Ratio		
Total capital ratio	**51.49%**	57.44%
Tier I ratio	**50.39%**	56.34%
CET I ratio	**50.39%**	56.34%

Capital management policies, stress testing and capital management
The Bank has a robust capital adequacy assessment, monitoring and reporting process and is pro-actively advancing its internal capital adequacy assessment framework along the lines of Basel III.

The forward-looking internal capital adequacy assessment process (ICAAP) is based on the Bank’s financial budget projections. Various stress scenarios are considered to assess the strength of the Bank’s capital adequacy over a three year period.

The implemented ICAAP is based on Economic Capital and defines adequacy as balance of capital supply, in the form of available financial resources, and capital demand, in the form of cushion against unexpected losses. The Bank’s quantification models have been subject to external scrutiny and validation.

30 CAPITAL ADEQUACY (continued)

Capital management policies, stress testing and capital management (continued)
The primary objectives of the Bank's capital management are to ensure that the Bank complies with regulatory requirements with additional buffer due to externally imposed shocks. The Bank maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure 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 structure, 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 FIDUCIARY ASSETS

	2024 **AED'000**	2023 AED'000
Balance of fiduciary assets	**6,537,803**	4,215,836

The Bank provides custody services for its customers' assets. These assets are held by the Bank in a fiduciary capacity and are, accordingly, not included in the financial statements as assets of the Bank.

32 SUBSEQUENT EVENTS

Other than relevant event disclosed in note 24, there have been no other events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements.

33 COMPARATIVE FIGURES

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

Further, the Bank has restated the comparative numbers in note 27 in order to disclose the notional value of certain derivative financial instruments in accordance with IFRS. The derivatives concerned were back to back with de-minimis fair values and therefore there was no material effect on the financial statements as at and for the year ended 31 December 2023.