Credit Agricole Corporate and Investment Bank UAE branches

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

Credit Agricole Corporate and Investment Bank - UAE branches

Financial statements for the year ended 31 December 2024

Independent auditor's report to the Directors of Crédit Agricole Corporate and Investment Bank S.A. in respect of its UAE Branches

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Credit Agricole Corporate and Investment Bank – UAE Branches (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.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit and loss and other comprehensive income for the year then ended;
- the statement of changes in capital and reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Responsibilities of the 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 their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and Article (114) of the Decretal Federal Law No. (14) of 2018, as amended, 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.

PricewaterhouseCoopers Limited Partnership Dubai Branch, License no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Independent auditor's report to the Directors of Crédit Agricole Corporate and Investment Bank S.A. in respect of its UAE Branches (continued)

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

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 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Independent auditor's report to the Directors of Crédit Agricole Corporate and Investment Bank S.A. in respect of its UAE Branches (continued)

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

- 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.

Report on other legal and regulatory requirements

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018 , we have obtained all the required information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers Limited Partnership - Dubai Branch
28 March 2025

Jigesh Ashokkumar Shah
Registered Auditor Number: 5621
Dubai, United Arab Emirates

Credit Agricole Corporate and Investment Bank - UAE branches

Statement of financial position

	Notes	As at 31 December 2024 AED'000	2023 AED'000
ASSETS			
Cash and balances with the Central Bank of UAE	5	**542,398**	453,440
Due from other banks	6	**65,259**	49,436
Due from Head Office and branches abroad	7	**1,198**	8,107
Loans and advances	8	**96,130**	273
Other assets	9	**10,605**	10,030
Furniture and equipment (including right-of-use assets)	10	**3,366**	1,292
Total assets		**718,956**	522,578
LIABILITIES AND EQUITY			
LIABILITIES			
Due to other banks	11	**2,604**	2,376
Due to Head Office and branches abroad	12	**187,406**	59,110
Due to customers	13	**90,373**	55,050
Other liabilities	14	**37,437**	18,241
Total liabilities		**317,820**	134,777
EQUITY			
Allocated capital	16 (a)	**316,403**	316,403
Regulatory credit risk reserve	16 (b)	**15,597**	15,597
Legal reserve	17	**34,081**	32,747
Accumulated profits		**35,055**	23,054
Total equity		**401,136**	387,801
Total liabilities and equity		**718,956**	522,578

These financial statements were approved on March 28th 2025 and signed by:

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Ani MATHEWS
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Ani Mathews
Chief Financial Officer

Signed by:
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Caroline Chrestien De Poly
Chief Operating Officer

Credit Agricole Corporate and Investment Bank - UAE branches

Statement of profit and loss and other comprehensive income

	Notes	Year ended 31 December 2024 AED'000	2023 AED'000
Interest income	20	**34,325**	29,739
Interest expense	21	**(6,075)**	(5,851)
Net interest income		**28,250**	23,888
Net fees and commission income	22	**4,389**	4,692
Net foreign exchange income		**717**	675
Other operating income		**-**	71
Operating income		**33,356**	29,326
Operating expenses	23	**(14,249)**	(9,784)
Net impairment charge on credit exposure	24	**(208)**	(73)
Income for the year before taxation		**18,899**	19,469
Taxation	26	**(5,564)**	(4,564)
Income for the year after taxation		**13,335**	14,905
Total comprehensive income for the year		**13,335**	14,905

Statement of changes in capital and reserves

	Allocated capital AED'000	Regulatory credit risk reserve AED'000	Legal reserve AED'000	Accumulated profits AED'000	Total AED'000
At 1 January 2023	316,403	15,597	31,256	9,640	372,896
Total comprehensive income for the year	-	-	-	14,905	14,905
Transfer to legal reserve	-	-	1,491	(1,491)	-
At 31 December 2023	316,403	15,597	32,747	23,054	387,801
Total comprehensive income for the year	-	-	-	13,335	13,335
Transfer to legal reserve	-	-	1,334	(1,334)	-
At 31 December 2024	316,403	15,597	34,081	35,055	401,136

Statement of cash flows

	Notes	Year ended 31 December 2024 AED'000	2023 AED'000
Operating activities			
Income for the year before taxation		**18,899**	19,469
Adjustments for:			
Depreciation	10	**908**	974
Gain on sale of furniture and equipment		**-**	(72)
(Reversal) / provision for impairment		**(378)**	3,477
Provision for employees' end of service benefits	15	**494**	531
Operating cash flows before payment of income tax, employees' end of service benefits and changes in assets and liabilities		**19,923**	24,379
Income tax paid	26	**(5,331)**	(2,347)
Payment / transfer of employees end of service benefits	15	**95**	(1,184)
Changes in operating assets and liabilities:			
Statutory deposit with the Central Bank of UAE	5	**(3,439)**	(2,759)
Treasury bills		**(200,000)**	200,000
Due from other banks		**4,009**	25,344
Loan and advances before provision for impairment	8	**(95,479)**	76,834
Other assets, net of deferred tax		**(221)**	555
Due to customers	13	**35,323**	22,054
Other liabilities	14	**18,020**	(3,001)
Net cash (used in) / generated from operating activities		**(227,100)**	339,875
Investing activities			
Purchase of property and equipment	10	**(2,982)**	(726)
Sale of furniture and equipment		**-**	72
Net cash used in investing activities		**(2,982)**	(654)
Net (decrease) / increase in cash and cash equivalents		**(230,082)**	339,221
Cash and cash equivalents at the beginning of year		**204,591**	(134,465)
Effects of exchange rate		**57**	(165)
Cash and cash equivalents at the end of year	27	**(25,434)**	204,591

1 Incorporation and activities

Credit Agricole Corporate and Investment Bank – UAE Branches is a branch of Credit Agricole Corporate and Investment Bank ("Head office") incorporated in France. The ultimate parent of Credit Agricole Corporate and Investment Bank is Credit Agricole SA, also incorporated in France.

The principal activity of Credit Agricole Corporate and Investment Bank in the UAE is commercial banking which includes accepting deposits, granting loans and advances and other banking services to its customers and is carried out from its branches in Dubai and Abu Dhabi (the "Branches"), under a banking license issued by the Central Bank of the UAE ("CBUAE"). The Dubai branch's registered address is PO Box 9256, Dubai, United Arab Emirates. The Abu Dhabi branch's registered address is PO Box 4725, Abu Dhabi, United Arab Emirates.

These financial statements represent the combined financial position and results of the two branches in the United Arab Emirates. The Branches are not a separate legal entity but meet the definition of a reporting entity under International Financial Reporting Standards (IFRS) under the Conceptual Framework for IFRS. IFRS defines a reporting entity as an entity that is required, or chooses, to prepare financial statements.

All the operating activities of the Branches are clearly defined and separately managed from the other businesses of the Head Office and accounting records are maintained on this basis. The assets of the Branches are used solely by the Branches and are registered in the name of the Branches. The liabilities relate to the activities of the Branches.

It is important to note whilst the reporting boundary is defined above, the assets and liabilities presented within the reporting boundary remain the assets and liabilities of the Head Office and are not legally separable from the Head Offices' other assets and liabilities. As such legally, the assets of the reporting entity may be available to the other claims of the Head Office.

2 Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Statement of compliance

These financial statements have been prepared on a going concern basis in accordance with the IFRS (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 ("UAE Companies Law of 2021") and the Decretal Federal Law No. (14) of 2018 ("UAE Banking law").

2.2 Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"), interpretations issued by International Financial Reporting Interpretation Committee (IFRIC) and applicable requirements of the law of United Arab Emirates. The financial statements are prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value.

2 Summary of material accounting policies (continued)

2.2 Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Branches' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.3 New and amended standards and interpretations

The following new and revised IFRS Accounting Standards, 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 IFRS Accounting Standards , except where stated, have not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

2 Summary of material accounting policies (continued)

2.4 New and amended standards and interpretations issued but not yet effective

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary.

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

Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments: (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

Presentation and Disclosure in Financial Statements - IFRS 18

This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting
- expenses in the statement of profit or loss
- required disclosures in a single note within the financial statements for
- certain profit or loss performance measures that are reported outside an entity's
- financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the
- primary financial statements and notes in general

The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

2 Summary of material accounting policies (continued)

2.4 New and amended standards and interpretations issued but not yet effective (continued)

Subsidiaries without Public Accountability: Disclosures - IFRS 19,

This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:

- it does not have public accountability; and

it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Company's financial statements for the year 2024 as the Company is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements as and when they are mandatorily effective. The Bank is currently assessing the impact of these standards, interpretations and amendments on the future financial statements.

2 Summary of material accounting policies (continued)

2.5 Financial Instruments

IFRS 9: Financial Instruments

Initial measurement and recognition of financial assets and financial liabilities
A financial asset or a financial liability is recognised when the Branches becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised using settlement date accounting i.e. the date the Branches receives or delivers the assets. Changes in fair value between the trade date and settlement date are recognised in the income statement or in other comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Branches recognise balances due to customers when funds are transferred to the Branches.

All financial assets or financial liabilities are initially measured at fair value. Transaction costs are added to the cost of all financial instruments. When the fair value of financial instruments at initial recognition differs from the transaction price, the Branches account for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Branches recognise the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Classification and measurement of financial assets and financial liabilities
The Branches determine classification and measurement category of financial assets, except derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The Branches classify their financial assets based on the business model for managing the assets and the asset's contractual terms, measured at Amortised cost, as explained below.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Due from other banks, due from Head Office and branches, loans and advances to customers, and cash and balances with the Central Bank of UAE
The Branches only measure due from other banks, loans and advances and cash and balances with the Central Bank of UAE at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2 Summary of material accounting policies (continued)

2.5 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Business model assessment
The Branches determine their business model at the level that best reflects how they manage financial assets to achieve their business objective. The Branches' business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Branches' assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Branches' original expectations, the Branches do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Branches assess whether the financial instruments' cash flows met the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Branches apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The Branches classify financial assets upon initial recognition of IFRS 9 into following categories:

- Amortised cost (AC)
- Fair Value Through Profit and Loss (FVTPL)
- Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest rate ("EIR") method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in "interest income" in the income statement. The losses arising from impairment are recognised in the income statement under "net provision on credit facilities".

The Branches classify cash and balances with the Central Bank of UAE, due from other banks, due from Head Office and branches and loans and advances at AC.

2 Summary of material accounting policies (continued)

2.5 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Fair Value Through Profit and Loss (FVTPL)
The Branches classify financial assets as FVTPL when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit.

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

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the income statement. Interest income and dividends are recognised in the income statement according to the terms of the contract, or when the right to payment has been established.

The Branches measure derivatives as at FVTPL and the positive and negative fair value of these derivatives are included in other assets and other liabilities, respectively.

Reclassifications
The Branches do not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Branches acquire, dispose of, or terminate a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and financial liabilities

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

Derecognition other than for substantial modification
A financial asset (in whole or in part) is derecognised either when:

- the contractual rights to receive the cash flows from the asset have expired; or
- the Branches retain the right to receive cash flows from the assets but have assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Branches have transferred their rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Branches have transferred their right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Branches' continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branches would be required to repay.

2 Summary of material accounting policies (continued)

2.5 Financial Instruments (continued)

Derecognition other than for substantial modification (continued)
When the Branches have neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Branches continuing involvement, in which case, the Branches also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branches have retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Branches could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Branches would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

Derivative financial instruments
Derivatives include interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of financial position.

Financial guarantees, letters of credit and undrawn loan commitments
In the ordinary course of business, the Branches give financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received, in other liabilities. Subsequent to initial recognition, the Branches' liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement., and - under IFRS 9 - an ECL provision as set out in notes 5,6,7,8 and 14. The premium received is recognised in the income statement in net fees and commission income on a straight-line basis over the life of the guarantee in line with IFRS 15.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Branches are required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

2 Summary of material accounting policies (continued)

2.5 Financial Instruments (continued)

Impairment of financial assets

The Branches recognise expected credit losses (ECL) for balances with Central Bank of UAE, loans and advances, due from other banks, due from Head Office and branches and unfunded exposures.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Branches' policies for determining if there has been a significant increase in credit risk are set out in (Note 3.2.1).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Branches have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Branches group its financial assets into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When financial assets are first recognized, the Branches recognize an allowance based on 12mECL.
- Stage 2: When a financial assets has shown a significant increase in credit risk since origination, the Branches record an allowance for the LTECL.
- Stage 3: For, financial assets considered credit-impaired, the Branches record an allowance for the LTECL
- Purchased or originated credit impaired (POCI): POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Branches have no reasonable expectations of receiving either the entire outstanding amount or a proportion there of, the gross carrying amount and financial asset are reduced. This is considered a partial derecognition of the financial asset.

The calculation of ECLs

The Branches calculate ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

2 Summary of material accounting policies (continued)

2.5 Financial Instruments (continued)

The calculation of ECL (continued)
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of default (PD) - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at default (EAD) - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- Loss given default (LGD) - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Undrawn loan commitments
When estimating life time ECL for undrawn loan commitments, the Branches estimate the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Revolving facilities
For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Guarantees
The Branches liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Branches estimate ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the scenarios. The ECLs related to financial guarantee contracts are calculated and presented together with the loan. Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

Improvement in credit risk profile
If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. The Branch has defined the below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1which is in line with the guidance as per the Central Bank of the UAE.

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

2 Summary of material accounting policies (continued)

2.5 Financial Instruments (continued)

Forward looking information
The Branches incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Macro-economic factors are considered for this purpose by applying forward looking information.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Scenarios
Weighted average ECL is calculated considering base case, upside and downside scenarios multiplied by the associated scenario weightings, at the contract level for reflection of the ECL impact in the books of accounts.

The most significant period-end assumptions used for ECL estimate as at 31 December 2023 is GDP. The Branches have considered the scenarios – base case, upside and downside for all portfolios keeping in view principal macroeconomic variable (GDP).

Sensitivity analysis
The Branches have performed sensitivity analyses by assessing the impact on the ECL if the principal macroeconomic variable (GDP) was to change by the base case, upside and downside scenarios and they do not expect a significant sensitivity impact on an overall basis.

Collateral valuation
To mitigate its credit risks on financial assets, the Branches seek to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Branches' statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Branches use active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan’s contractual terms are accounted as separate units of accounts subject to ECL.

Write-offs
Financial assets are written off either partially or in their entirety only when the Branches have no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit impairment loss expense.

2 Summary of material accounting policies (continued)

2.5 Financial Instruments (continued)

Renegotiated loans
In the event of a default, the Branches seek to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. When the terms and conditions of these loans are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether these loans remain past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Collateral repossessed
The Branches' policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. This, however, is subject to the regulatory requirements as per the Central Bank of the UAE. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Banches' policy.

Offsetting
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Branches have a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting arrangements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

2.6 Due from other banks, Head Office and branches abroad

Amounts due from other banks, head office and branches abroad are initially recognised at fair value including associated transaction costs, if any. They are subsequently measured at amortised cost less any amounts written off and provision for impairment, if any.

2.7 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, money in current accounts and placements with original maturity of less than three months excluding the statutory deposit required to be maintained with CBUAE, amounts due from/ (to) banks/Headoffice and branches on demand or with an original maturity of three months or less.

2.8 Due to banks and customers

Due to banks and customers are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost using the effective interest method.

2 Summary of material accounting policies (continued)

2.9 Furniture, equipment and right-of-use assets

Furniture, equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is calculated on a straight line method to write down the cost of assets to their estimated residual values over their expected useful lives as follows: Right-of-use assets are depreciated on a straight-line basis over the lease term. Note 2.19 details the accounting policy around accounting of right of use assets and lease liabilities.

	Years
Furniture, fixtures and fittings	2 - 7
Vehicles and data processing and other equipment	3 - 4
Leasehold improvements	1 - 2

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of its fair value less cost of disposal and its value in use.

Gains and losses on disposal of furniture and equipment are determined by reference to their carrying amount and are taken into account in determining operating income. Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

2.10 Provision for employees' end of service benefits

With respect to its national employees, the Branches make contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Branches obligations are limited to these contributions, which are expensed when due.

In accordance with IAS 19, the Branches provide end of service benefits to its other employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum 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 and National Pension and Social Security Laws.

2.11 Provisions

Provisions are recognised when the Branches have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.12 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Branches are measured in United Arab Emirates Dirhams ("AED") being the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in AED and has been rounded off to the nearest thousand.

(b) Transactions and balances

Foreign currency transactions are translated into AED at the rate applicable on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the rates ruling at the statement of financial position date. Any resultant gains or losses are accounted for in the statement of profit and loss.

2 Summary of material accounting policies (continued)

2.13 Interest income and expense

Interest income and expenses are recognised using effective interest method.

When a financial asset becomes credit-impaired and is therefore regarded as ‘Stage 3’, the Branches calculate interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Branches revert to calculating interest income on a gross basis. The previously unrecognised interest income of a cured but previously impaired financial asset will be recognised as a reversal of impairment loss. Interest income and expenses for all interest-bearing financial instruments are recognised within the statement of comprehensive income.

2.14 Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commission income on issue of letters of credit and guarantees is recognised over the term of the instrument. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Other fees and commission income earned and expense incurred from the provision of services are recognised as revenue and expense, as and when the services are rendered.

2.15 Taxation

(a) Current income tax

On December 9, 2022, 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 June 1, 2023. As the banks accounting year ends on December 31, the first tax period will be the period from January 1, 2024 to December 31, 2024, with the respective tax return to be filed on or before September 30, 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% on taxable profits above AED 375,000.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Provision for taxation is made in respect of the Branches operations in the Emirates of Abu Dhabi and Dubai whereby tax is payable at the rate of 20% of the adjusted net taxable profit generated during the year in each of the Emirates, in accordance with the relevant legislation of each of the Emirates.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income. 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.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined at the rate of 20% on temporary differences in accordance with the relevant legislation of each of the Emirates that have been enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset / liability is realised.

2 Summary of material accounting policies (continued)

(b) Deferred income tax (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The Branches only off-set its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Branche's intention to settle on a net basis.

2.16 Recharge to other branches

Common expenses allocated by Head Office, senior management costs and Global Corporate Banking Operations (GOP) costs incurred by the Dubai Branch are recharged to the DIFC branch on the basis of equitable allocation of cost between the branches. The allocation is based on the proportion of average assets of the respective branches. Recharge to other branches are accrued on a monthly basis and cash settled.

2.17 Fair value measurement

For those assets and liabilities carried at fair value, the Branches measure fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of financial instruments 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 a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Branches. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial instruments (instruments other than financial instruments) takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Branches use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values for financial instruments traded in active markets are based on closing bid prices. For all other financial instruments including instruments for which the market has become inactive, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the fair value derived from recent arm's length transaction, comparison to similar instruments for which market observable prices exist, discounted cash flow method or other relevant valuation techniques commonly used by market participants.

Fair values of non-financial instruments are measured based on valuation provided by independent valuators.

The fair value of a derivative financial instrument is the equivalent of the unrealised gain or loss from marking to market the derivative financial instrument, using relevant market rates or internal pricing models.

2 Summary of material accounting policies (continued)

2.17 Fair value measurement (continued)

Fair value hierarchy
The Branches measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

2.18 Contingencies

Contingent assets are not recognised in the financial statements, but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

2.19 Leases

Below are the accounting policies of the Branches in relation to leases where the Branches are the lessee:

Right-of-use assets
The Branches recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Branches are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The estimated useful life of right-of-use assets is consistent with leasehold improvements as discussed in note 2.9.

2 Summary of material accounting policies (continued)

2.19 Leases (continued)

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

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

Short-term leases and leases of low-value assets
The Branches apply the short-term lease recognition exemption to its short-term leases of property and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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

3 Financial risk management

3.1 Risk management review

The Branches' activities expose them to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business. The Branches' aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Branches' financial performance.

The Branches' risk management policies approved by the Head Office are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Branches regularly review its risk management policies and systems to reflect changes in markets, products and emerging best practices.

3.2 Credit risk

Credit risk is defined as the risk that the Branches' customers, clients or counter parties fail to perform or are unwilling to pay interest, repay the principal or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities, thus causing the Branches to suffer a financial loss. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Branches' portfolio, could result in losses that are different from those provided for at the statement of financial position date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, balances with banks and other receivables. There is also credit risk in off-balance sheet financial arrangements such as credit commitments.

Credit risk, both on and off balance sheet, is actively managed and monitored in accordance with defined credit policies and procedures. The creditworthiness of each counterparty is evaluated and appropriate credit limits are established. Established limits and actual levels of exposure are regularly reviewed and updated by management. Credit review procedures are designed to identify, at an early stage, exposures which require more detailed monitoring and review.

3.2.1 Credit risk measurement

Definition of default
The Branches consider a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Branches in full, without recourse to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Branches; or borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes

Any credit impaired or stressed facility that has been restructured would also be considered as in default. The restructured facilities would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year, or as determined by the Branches for consideration for moving the facility to stage 2/stage 1.

The Branches consider a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants
- borrower having past due liabilities to public creditors or employees
- borrower is deceased

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Credit risk measurement (continued)

Significant increase in credit risk

The Branches continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Branches assess whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criterias do not indicate a significant increase in credit risk.

Credit facilities are classified under Stage 2 when there has been a downgrade in the facility's credit rating by 2 grades for the facilities with Investment Grade and by 1 grade for those with Non-Investment Grade.

The Branches also consider that events as mentioned below are indicators of significant increase in credit risk as opposed to a default.

- Significant deterioration of credit risk rating of the borrower with consideration to relative increase in PD.
- Accounts expired (pending renewal) for a period of 6 months or more (excluding all accounts with technical reasons).
- Contractual disputes between borrower and contracting entity, leading to detrimental impact on the borrower's cash flow.
- Management dispute or loss of key management personnel leading to detrimental impact on borrowers' repayment capacity.
- Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.

The Branches considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk.

PD estimation process

In managing its portfolio, the Branches utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The internal ratings are based on financial factors as well as non-financial subjective factors. The Branches also uses external ratings by recognised rating agencies for externally rated portfolios.

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. PD estimation process requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Branches's estimate of the future asset quality. Then Through The Cycle, (TTC) PDs are generated from rating tool based on the internal/external credit ratings. The Branches convert the TTC PD to a Point In Time (PIT) PD term structures using appropriate models and techniques.

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.1 Credit risk measurement (continued)

Exposure at default
Exposure at default (EAD) represents the amount which the obligor will owe to the Branches at the time of default. The Branches consider variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off-balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, usage given default, etc.

Loss given default
Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Branches estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

Incorporation of forward-looking information
The Branches consider key macro economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Branches employ statistical models to incorporate macro-economic factors on historical default rates. The Branches consider scenarios of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Loans and advances
The Branches measure credit risk of loans and advances to customers and to financial institutions at a counterparty level by using an internally developed rating system considering various quantitative and qualitative factors over a grade of A to F. This credit risk rating is embedded in the Branches' decision and risk management process.

Clients are segmented into two grading classes. The Branches' grading, which is shown below, reflects the grading to each class. This means that, in principle, exposures migrate between classes as the assessment of the grading changes. The grading tools are kept under review and upgraded as necessary. The Branches regularly validate the performance of the grading and their predictive power with regard to default events.

The Branches' internal ratings scale and mapping of external ratings

Branches' rating	Description of the class	External rating: Standard and Poor's equivalent
Performing and watch list	A+ to E+	AAA to B
Sub-standard, doubtful and loss	E to F	B- to D

The Branches use the external ratings where available to benchmark their internal credit risk assessment. Observed defaults per grading category vary year on year, especially over an economic cycle.

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.2 Risk limit control and mitigation policies

The Branches maintain and manage limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries.

The credit risk is primarily managed by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(a) Collateral

As part of the Branches' credit risk management policies and practices, it obtains security where deemed necessary for loans and advances. The principal collateral types include assignment of contract proceeds, pledge of cash deposit and Stand-by letter of Credit.

In order to minimise the credit loss, the Branches obtain possible additional collateral from the counterparty as soon as impairment indicators are observed for the relevant loans and advances.

(b) Derivatives

At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Branches. In the case of forward exchange contracts the Branches are exposed to the notional amount should the counterparty fail. This credit risk exposure is managed as part of the overall lending limits with customers. The Branches also maintain and manage potential exposures from market movements and enter into forward contracts with other banks, in the form of back to back contracts resulting in limited credit exposure to the Branches.

3.2.3 Expected Credit Loss

The table below shows the percentage of the Branches' on balance sheet items relating to loans and advances and the associated expected credit loss for each of the Branches' internal rating categories:

	2024		2023	
	Loans and advances (%)	**Expected credit loss (%)**	Loans and advances (%)	Expected credit loss (%)
Performing loans	**68.88%**	**0.01%**	0.63%	2.50%
Non-Performing loans	**31.12%**	**100.00%**	99.37%	100.00%
	100.00%		100.00%	

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents a worst case scenario of credit risk exposure to the Branches at 31 December 2024 and 2023 without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out below are based on gross carrying amounts before provisions which will be larger than that reported in the statement of financial position. For off-balance sheet assets, the exposures set out below are based on gross carrying amounts before Credit Conversion Factor ("CCF"), Credit Risk Mitigation ("CRM") and ECL.

	Maximum exposure	
	2024	2023
	AED '000	AED '000
Credit risk exposures relating to on balance sheet assets are as follows:		
-Cash and balances with the Central Bank of UAE	**542,518**	453,495
-Due from other banks	**65,270**	49,451
-Due from Head Office and branches abroad	**1,198**	8,110
-Loans and advances	**139,591**	44,112
-Other assets	**106**	100
	748,683	555,268
Credit risk exposures relating to off-balance sheet items are as follows:		
-Unutilised commitments (unconditionally cancellable)	**593,658**	547,228
-Guarantees, acceptances and other financial facilities	**1,935,496**	1,729,071
	2,529,154	2,276,299

Management is confident in its ability to continue to control and minimise the loss arising from its exposure to credit risk resulting from its loans and advances portfolio and amounts due from other banks because 78.80% (2023: 53.15%) of the loans and advances & due from other banks are categorised in the top grade of the Branches' internal grading system.

The Branches continously review their credit policies and changes are made based on the Management Information System (MIS) reports and the patterns that emerge from these reports.

Due from Head Office and branches are within the group, therefore, the exposure to credit risk is considered minimal.

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.5 Loans and advances to customers and amounts due from other banks, Head Office and branches abroad

Loans and advances to customers and amounts due from other banks, Head Office and branches abroad are summarised as follows:

31 December 2024

	Loans and advances AED'000	**Due from other banks AED'000**	**Due from Head Office and branches abroad AED'000**
Performing	**96,153**	**65,270**	**1,198**
Non-performing	**43,438**	**-**	**-**
Gross	**139,591**	**65,270**	**1,198**
Less: ECL allowance	**(43,461)**	**(11)**	**-**
Net	**96,130**	**65,259**	**1,198**

31 December 2023

	Loans and advances AED'000	Due from other banks AED'000	Due from Head Office and branches abroad AED'000
Performing	280	49,451	8,110
Non-performing	43,832	-	-
Gross	44,112	49,451	8,110
Less: ECL allowance	(43,839)	(15)	(3)
Net	273	49,436	8,107

ECL allowance on funded exposure for stage 3 financial assets amounts to AED 43,438 thousand (2023: AED 43,832 thousand). ECL allowances on funded exposure amounted to AED 34 thousand (2023: AED 25 thousand) for stage 1 and 2 financial assets.

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Branches. The management of the Branches seek to deal solely with reputed multinational and local customers. Consequently, the Branches have a limited clientele in their loans and advances portfolio, resulting in a concentration of credit risk with a few customers accounting for 100 % (2023: 100%) of the total loans and advances outstanding at the year-end. Management believes that, having regard to the reputation of these customers, this concentration of credit risk at the year-end will not result in a loss to the Branches. Internal lending limits have been set under approved credit policy for exposures in various industries which are reviewed on quarterly basis.

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.5 Loans and advances to customers and amounts due from other banks, Head Office and branches abroad (continued)

Performing
Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. In 2024 and 2023 the Branches, did not have any exposure under this category.

Non-performing
Individually impaired loans and advances at 31 December 2024 are AED 43,438 thousand (2023: AED 43,832 thousand).

Loans and advances renegotiated
Restructuring activities include extended payment arrangements and modification and deferral of payments. The majority of restructuring activity is under taken to improve cash flow and is within the terms and condition of the Branches product programme guideline. These policies are kept under continuous review. Once a loan is renegotiated, it is no longer considered past due but is treated as a new loan. No loans have been restructured during 2024 (2023: Nil).

3.2.6 Repossessed collateral

During the year ended 31 December 2024, the Branches have not taken possession of any collateral held as security which have been utilised in settlement of credit facilities (2023: Nil).

3.2.7 Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of 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. Concentrations indicate the relative sensitivity of the Branches' performance to developments affecting a particular industry or geographical location.

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

Concentration of credit risk by industry
The following table breaks down the Branches' main credit exposures categorised by the industry sectors of the counterparties.

On balance sheet items

	Financial institutions AED'000	Trading AED '000	Construction AED '000	Total AED '000
31 December 2024				
Cash & Balances with UAE Central Bank	**542,398**	**-**	**-**	**542,398**
Due from other banks	**65,259**	**-**	**-**	**65,259**
Due from Head Office and branches abroad	**1,198**	**-**	**-**	**1,198**
Loans and advances	**-**	**71,091**	**25,039**	**96,130**
Other assets	**106**	**-**	**-**	**106**
Total	**608,961**	**71,091**	**25,039**	**705,091**
31 December 2023				
Cash & Balances with UAE Central Bank	453,440	-	-	453,440
Due from other banks	49,436	-	-	49,436
Due from Head Office and branches abroad	8,107	-	-	8,107
Loans and advances	-	273	-	273
Other assets	100	-	-	100
Total	511,083	273	-	511,356

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

Concentration of credit risk by industry (continued)

Off balance sheet items

	Financial institutions AED'000	Trading AED '000	Construction AED '000	Manufacturing AED '000	Other industries AED '000	Total AED '000
31 December 2024						
Unutilised commitment (Unconditionally cancellable)	**-**	**166,129**	**126,459**	**-**	**301,070**	**593,658**
Guarantees, acceptances and other financial facilities	**1,556,559**	**126,942**	**49,248**	**-**	**202,747**	**1,935,496**
Total	**1,556,559**	**293,071**	**175,707**	**-**	**503,817**	**2,529,154**
31 December 2023						
Unutilised commitment (Unconditionally cancellable)	-	186,088	49,077	-	312,063	547,228
Guarantees, acceptances and other financial facilities	1,420,143	61,845	96,958	-	150,125	1,729,071
Total	1,420,143	247,933	146,035	-	462,188	2,276,299

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

Geographical risk concentration

The following geographical risk concentration table breaks down the Branches' credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2024 and 2023.

For this table, the Branches have allocated exposures to regions based on the country of domicile of its counterparties:

On balance sheet items

	UAE AED'000	GCC AED'000	OECD AED'000	Others AED'000	Total AED'000
31 December 2024					
Cash & balances with UAE Central Bank	**542,398**	**-**	**-**	**-**	**542,398**
Due from other banks	**34,033**	**2,643**	**28,446**	**137**	**65,259**
Due from Head Office and branches abroad	**-**	**-**	**1,191**	**7**	**1,198**
Loans and advances	**71,091**	**-**	**-**	**25,039**	**96,130**
Other assets	**16**	**-**	**90**	**-**	**106**
Total	**647,538**	**2,643**	**29,727**	**25,183**	**705,091**
31 December 2023					
Cash & balances with UAE Central Bank	453,440	-	-	-	453,440
Due from other banks	34,624	4,728	8,420	1,664	49,436
Due from Head Office and branches abroad	3,443	-	4,664	-	8,107
Loans and advances	273	-			273
Other assets	72	-	28	-	100
Total	491,852	4,728	13,112	1,664	511,356

Off balance sheet items

	UAE AED'000	GCC AED'000	OECD AED'000	Others AED'000	Total AED'000
31 December 2024					
Unutilised commitments (Unconditionally cancellable)	**395,975**	**77,133**	**103,350**	**17,200**	**593,658**
Guarantees, acceptances and other financial facilities	**311,877**	**4,376**	**1,496,507**	**122,736**	**1,935,496**
Total	**707,852**	**81,509**	**1,599,857**	**139,936**	**2,529,154**
31 December 2023					
Unutilised commitments (Unconditionally cancellable)	437,328	77,133	32,767	-	547,228
Guarantees, acceptances and other financial facilities	224,604	4,477	1,269,004	230,986	1,729,071
Total	661,932	81,610	1,301,771	230,986	2,276,299

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

Gross credit exposures by residual contractual maturities

On balance sheet items

	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
31 December 2024					
Cash & balances with UAE Central Bank	**342,478**	**199,920**	**-**	**-**	**542,398**
Due from other banks	**53,161**	**12,098**	**-**	**-**	**65,259**
Due from Head Office and branches abroad	**1,198**	**-**	**-**	**-**	**1,198**
Loans and advances	**96,130**	**-**	**-**	**-**	**96,130**
Other assets	**106**	**-**	**-**	**-**	**106**
Total	**493,073**	**212,018**	**-**	**-**	**705,091**
31 December 2023					
Cash & balances with UAE Central Bank	253,469	199,971	-	-	453,440
Due from other banks	39,997	9,439	-	-	49,436
Due from Head Office and branches abroad	8,107	-	-	-	8,107
Loans and advances	273	-	-	-	273
Other assets	100	-	-	-	100
Total	301,946	209,410	-	-	511,356

Off balance sheet items

	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
31 December 2024					
Unutilised commitment (Unconditionally cancellable)	**593,658**	**-**	**-**	**-**	**593,658**
Guarantees, acceptances and other financial facilities	**127,869**	**301,647**	**361,637**	**1,144,343**	**1,935,496**
Total	**721,527**	**301,647**	**361,637**	**1,144,343**	**2,529,154**
31 December 2023					
Unutilised commitment (Unconditionally cancellable)	547,228	-	-	-	547,228
Guarantees, acceptances and other financial facilities	175,074	86,430	289,246	1,178,321	1,729,071
Total	722,302	86,430	289,246	1,178,321	2,276,299

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

Non-performing loans by industry
The breakdown of the gross amount of individually impaired loans and advances by industry is as follows:

	Overdue			
	Less than 90 days AED'000	**above 90 days AED'000**	**Total AED'000**	**Specific provision AED'000**
31 December 2024				
Trading	**379**	**43,059**	**43,438**	**43,438**
31 December 2023				
Trading	884	42,948	43,832	43,832

Non-performing loans by geographic distribution
The breakdown of the gross amount of individually impaired loans and advances by geographical distribution are as follows:

	Overdue			Total	
	Less than 90 days AED'000	**above 90 days AED'000**	**Total AED'000**	**Provision AED'000**	**Impaired assets AED'000**
31 December 2024					
Saudi Arabia	**379**	**43,059**	**43,438**	**43,438**	**43,438**
31 December 2023					
Saudi Arabia	884	42,948	43,832	43,832	43,832

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

The Branches' internal credit rating grades for the year ended 31 December 2024:

Internal rating grade	Cash and Internal risk rating description	Balances with the UAE Central bank AED'000	Contingencies and commitments AED'000	Due from other banks AED'000	Accrued Interest receivable AED'000	Loans and advances AED'000	Due from HO and other branches AED'000	Total AED'000
A+	Exceptional	**542,518**	**1,538,063**	**134**	**106**	**-**	**1,198**	**2,082,019**
A	Excellent	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B+	Very good	**-**	**-**	**28,296**	**-**	**-**	**-**	**28,296**
B	Good	**-**	**51,605**	**35,965**	**-**	**25,039**	**-**	**112,609**
C+	Fairly good	**-**	**590,343**	**875**	**-**	**-**	**-**	**591,218**
C	Acceptable	**-**	**96,507**	**-**	**-**	**71,114**	**-**	**167,621**
C-	Average	**-**	**198,342**	**-**	**-**	**-**	**-**	**198,342**
D+	Pass	**-**	**54,177**	**-**	**-**	**-**	**-**	**54,177**
D	Mediocre	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D-	Very mediocre	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E+	Weak watch	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E to E-	Substandard	**-**	**98**	**-**	**-**	**-**	**-**	**98**
F/Z	Default	**-**	**19**	**-**	**-**	**43,438**	**-**	**43,457**
ECL		**(120)**	**-**	**(11)**	**-**	**(43,461)**	**-**	**(43,592)**
		542,398	**2,529,154**	**65,259**	**106**	**96,130**	**1,198**	**3,234,245**

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

The Branches' internal credit rating grades for the year ended 31 December 2023:

Internal rating grade	Cash and Internal risk rating description	Balances with the UAE Central bank AED'000	Contingencies and commitments AED'000	Due from other banks AED'000	Accrued Interest receivable AED'000	Loans and advances AED'000	Due from HO and other branches AED'000	Total AED'000
A+	Exceptional	453,495	1,384,797	7,068	100	-	8,110	1,853,570
A	Excellent	-	-	-	-	-	-	-
B+	Very good	-	10,123	2,867	-	-	-	12,990
B	Good	-	563	33,756	-	-	-	34,319
C+	Fairly good	-	440,918	4,809	-	280	-	446,007
C	Acceptable	-	162,948	951	-	-	-	163,889
C-	Average	-	183,650	-	-	-	-	183,650
D+	Pass	-	93,032	-	-	-	-	93,032
D	Mediocre	-	100	-	-	-	-	100
D-	Very mediocre	-	-	-	-	-	-	-
E+	Weak watch	-	-	-	-	-	-	-
E to E-	Substandard	-	149	-	-	-	-	149
F/Z	Default	-	19	-	-	43,832	-	43,851
ECL		(55)	-	(15)	-	(43,839)	(3)	(43,912)
		453,440	2,276,299	49,436	100	273	8,107	2,787,655

3 Financial risk management (continued)

3.2 Credit risk (continued)

3.2.7 Concentration of risks of financial assets with credit risk exposure (continued)

Risk Grade

	2024		2023	
Stage 1 and 2 (A+ - E-)	**PD range**	**AED '000**	PD range	AED '000
Normal Grade (A+ - D-)	**0.000001%-0.108732%**	**3,234,282**	0.00014%-0.01699%	2,787,567
Watchlist grade (E+ - E-)	**0.019381%-0.397876%**	**98**	0.07801%-0.75347%	149
Stage 3 (Grade F/Z)				
Default grade (F/Z)	**100%**	**43,457**	100%	43,851
Total		**3,277,837**		2,831,567

3.3 Market risk

The Branches take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Asset and Liability Committee ("ALCO") at the UAE Branches in Dubai ensures that the UAE branches are organised in such a way that all centers except Capital Market are immune from market risk exposure. This is achieved through a system of internal desks and internal deals which are traded between them in order to transfer the exposure to Capital Market desks. The market risk exposure of Capital Market desks operates under a framework of methodology and market risk limits table approved by the Market Risk Committee of the Head Office. The market risk exposure is measured and monitored by MAM (Market Activity Monitoring) department of market risk which ensures that limits are not breached and informs senior management both locally and at the Head Office in case any breach of limits or unauthorized activity is identified. The indicators used for the monitoring of market risk include VAR (Value at Risk), sensitivities and maturities.

Market risk measurement techniques

The main indicator used for the monitoring of market risk exposure is VAR which is computed within a framework which has been approved by the Head office regulator (French banking Commission). This framework is based on an internal model which is used to compute a one day historical VAR at a level of 99% confidence interval with one year of historical moves. The VAR computation is supplemented by a back testing computation which ensures the robustness of the internal model and the relevance of using one year of historic data. Other indicators such as sensitivities are used as proxy to VAR which remains the official indicator.

3.3.1 Price risk

Price risk is the risk that the value of the entity's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movements. The price risk arises primarily from uncertainty about the future price of financial instruments that the entity holds. The Branches do not hold financial instruments whose value is affected by changes in market prices and, therefore the Branches are not exposed to price risk.

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency.

The Branches are exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Branches' gross exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Branches' financial assets and financial liabilities at gross carrying amounts, categorised by currency.

At 31 December 2024	**AED AED'000**	**USD AED'000**	**EURO AED'000**	**Others AED'000**	**Total AED'000**
Assets					
Cash and balances with the Central Bank of UAE, gross	**542,518**	**-**	**-**	**-**	**542,518**
Due from other banks, gross	**14**	**61,075**	**-**	**4,181**	**65,270**
Due from Head Office and branches abroad, gross	**-**	**7**	**1,191**	**-**	**1,198**
Loans and advances, gross	**25,039**	**97,238**	**17,314**	**-**	**139,591**
Other assets	**15**	**91**	**-**	**-**	**106**
Total	**567,586**	**158,411**	**18,505**	**4,181**	**748,683**
Liabilities					
Due to other banks	**2,604**	**-**	**-**	**-**	**2,604**
Due to Head Office and branches abroad	**20,320**	**154,504**	**12,582**	**-**	**187,406**
Due to customers	**15,734**	**65,012**	**5,992**	**3,635**	**90,373**
Other liabilities	**92**	**27**	**1**	**-**	**120**
Total	**38,750**	**219,543**	**18,575**	**3,635**	**280,503**
Net balance sheet position	**528,836**	**(61,132)**	**(70)**	**546**	**468,180**

At 31 December 2023	AED AED'000	USD AED'000	EURO AED'000	Others AED'000	Total AED'000
Assets					
Cash and balances with the Central Bank of UAE, gross	453,495	-	-	-	453,495
Due from other banks, gross	4,579	39,726	1	5,145	49,451
Due from Head Office and branches abroad, gross	-	3,443	4,667	-	8,110
Loans and advances, gross	280	43,832			44,112
Other assets	73	26	1	-	100
Total	458,427	87,027	4,669	5,145	555,268
Liabilities					
Due to other banks	2,243	133	-	-	2,376
Due to Head Office and branches abroad	14,428	44,682	-	-	59,110
Due to customers	13,704	33,424	4,541	3,381	55,050
Other liabilities	44	29	-	-	73
Total	30,419	78,268	4,541	3,381	116,609
Net balance sheet position	428,008	8,759	128	1,764	438,659

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.2 Currency risk (continued)

The Branches have limited exposures to foreign exchange risk as most of foreign currency financial instruments are either in US Dollar or in currencies pegged to US Dollars. Forward contracts entered into by the Branches are back to back commitments to purchase and sell and the foreign exchange risk involved in these contracts is not material.

	Notional Amount AED'000	**Fair value**	**Up to 1 month AED'000**	**1 – 3 months AED'000**	**3 – 12 months AED'000**	**Over 1 year AED'000**	**Total AED'000**
31 December 2024							
− Outflow	**153,318**	**9**	**153,318**	**-**	**-**	**-**	**153,318**
− Inflow	**153,325**	**9**	**153,325**	**-**	**-**	**-**	**153,325**

	Notional Amount AED'000	Fair value	Up to 1 month AED'000	1 – 3 months AED'000	3 – 12 months AED'000	Over 1 year AED'000	Total AED'000
31 December 2023							
− Outflow	58,602	2	58,602	-	-	-	58,602
− Inflow	58,603	2	58,603	-	-	-	58,603

Currency risk is also assessed by measuring the impact of reasonable possible change in exchange rate. The Branches assume a fluctuation in exchange rates of +10% / -10% and estimates the following impact on the net assets and net liabilities at that date:

	2024		2023	
	AED'000	**AED'000**	AED'000	AED'000
	10% increase	***10% decrease***	*10% increase*	*10% decrease*
Assets	**2,269**	**(2,269)**	981	(981)
Liabilities	**2,221**	**(2,221)**	801	(801)
Net impact on financial performance	**48**	**(48)**	180	(180)
Net impact on financial position	**48**	**(48)**	180	(180)

Off-balance sheet items

	AED AED'000	**USD AED'000**	**EURO AED'000**	**Others AED'000**	**Total AED'000**
31 December 2024					
Unutilised commitments (Unconditionally cancellable)	**-**	**593,658**	**-**	**-**	**593,658**
Guarantees, acceptances and other financial facilities	**446,974**	**798,938**	**606,615**	**82,969**	**1,935,496**
Total	**446,974**	**1,392,596**	**606,615**	**82,969**	**2,529,154**

	AED AED'000	USD AED'000	EURO AED'000	Others AED'000	Total AED'000
31 December 2023					
Unutilised commitments (Unconditionally cancellable)	-	547,228	-	-	547,228
Guarantees, acceptances and other financial facilities	315,467	753,288	592,579	67,737	1,729,071
Total	315,467	1,300,516	592,579	67,737	2,276,299

3.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Branches take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The ALCO sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by Treasury.

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.3 Interest rate risk (continued)

The table below summarises the Branches' exposure to interest rate risks. It includes the Branches' financial instruments at gross carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Non-interest bearing AED'000	Total AED'000
At 31 December 2024					
Assets					
Cash and balances with the Central Bank of UAE	330,000	200,000	-	12,518	542,518
Due from other banks	21,928	12,102	-	31,240	65,270
Due from Head Office and branches abroad	-	-	-	1,198	1,198
Loans and advances	139,591	-	-	-	139,591
Other assets	-	-	-	106	106
Total assets	491,519	212,102	-	45,062	748,683
Liabilities					
Due to other banks	-	-	-	2,604	2,604
Due to Head Office and branches abroad	166,848	-	-	20,558	187,406
Due to customers	43,167	3,000	-	44,206	90,373
Other liabilities	-	-	-	120	120
Total liabilities	210,015	3,000	-	67,488	280,503
Interest rate sensitivity gap	281,504	209,102	-	(22,426)	468,180

Interest rate yields

The average earning on placements and balances with banks was 7.66 % (2023: 6.02 %), on Head office and branches 4.90 % (2023: 3.71%) and on loans and advances was 5.55 % (2023: 5.90 %). The average cost of customer deposits was 4.97 % (2023: 4.70 %) and of due to banks and term borrowings was 5.22 % (2023: 4.90 %).

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.3 Interest rate risk (continued)

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Non-interest bearing AED'000	Total AED'000
At 31 December 2023					
Assets					
Cash and balances with the Central Bank of UAE	240,000	200,000	-	13,495	453,495
Due from other banks	34,853	9,443	-	5,155	49,451
Due from Head Office and branches abroad	4,464	-	-	3,646	8,110
Loans and advances	44,112	-			44,112
Other assets	-	-	-	100	100
Total assets	323,429	209,443	-	22,396	555,268
Liabilities					
Due to other banks	-	-	-	2,376	2,376
Due to Head Office and branches abroad	44,443	-	-	14,667	59,110
Due to customers	16,677	-	-	38,373	55,050
Other liabilities	-	-	-	73	73
Total liabilities	61,120	-	-	55,489	116,609
Interest rate sensitivity gap	262,309	209,443	-	(33,093)	438,659

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.3 Interest rate risk (continued)

Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. The Branches assume a fluctuation in interest rates of 200 basis points (bps) and estimates the following impact on the net profit for the year and net assets at that date:

	Interest income		Interest expense	
	2024	2023	**2024**	2023
	AED'000	AED'000	**AED'000**	AED'000
Fluctuation in interest rates by 200 bps	**14,072**	10,657	**4,260**	1,222

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 703,621 thousand (2023: AED 532,872 thousand) closing interest bearing assets and AED 213,015 thousand (2023: AED 61,120 thousand) closing interest bearing liabilities. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

3.4 Liquidity risk

Liquidity risk is the risk that the Branches are unable to meet their payment obligations associated with their financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Liquidity risk management process

The Branches manage their liquidity in accordance with UAE Central Bank requirements and the Branches' internal guidelines mandated by ALCO. ALCO monitors liquidity ratios on a regular basis to maintain a wide diversification by currency, geography, product and term.

The UAE Central Bank has prescribed reserve requirements of 1% on term deposits and 14% on demand deposits. The UAE Central Bank also imposes mandatory 1:1 advances to deposit ratio whereby loans and advances (combined with inter-bank placements having a remaining term of greater than three months and inter-bank borrowings having a remaining term of greater than six months) should not exceed stable funds as defined by the UAE Central Bank.

To mitigate the repercussions of COVID-19 pandemic, the Central Bank has decided to reduce the percentage of cash reserve requirements on current accounts, savings accounts, call and similar accounts for all banks by half, from 14% to 7%, with effect from 7 April 2020.

As per central bank notice dated 14th February 2023 as part of exit strategy from the TESS, CBUAE has scheduled an increase in demand deposit reserve to 11% (previously 7%) effective from 12 April 2023. No change on reserve requirement of 1% on term deposits.

As per central bank notice dated 14th March 2024 as part of exit strategy from the TESS, CBUAE has decided to cancel the applied reduction of the cash reserve requirements, therefore effective from 05 June 2024 ratios applicable to demand and time deposit shall now be 14% (previously 11%) and 1%.

3 Financial risk management (continued)

3.4 Liquidity risk (continued)

3.4.1 Non-derivative and derivative cashflows

The table below presents the cash flows payable by the Branches under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual discounted cash flows.

	Up to 3 months AED'000	3 - 6 months AED'000	Above 6 months AED'000	Total AED'000
31 December 2024				
Due to other banks	2,604	-	-	2,604
Due to Head Office and branches abroad	187,406	-	-	187,406
Due to customers	87,373	3,000	-	90,373
Other Liabilities	17,593	634	19,210	37,437
Total discounted financial liabilities	294,976	3,634	19,210	317,820

	Up to 3 months AED'000	3 - 6 months AED'000	Above 6 months AED'000	Total AED'000
31 December 2023				
Due to other banks	2,376	-	-	2,376
Due to Head Office and branches abroad	59,110	-	-	59,110
Due to customers	55,050	-	-	55,050
Other Liabilities	6,362	3,521	8,358	18,241
Total discounted financial liabilities	122,898	3,521	8,358	134,777

The table below analyses the Branches' derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Notional Amount AED'000	Fair value	Up to 1 month AED'000	1 – 3 months AED'000	3 – 12 months AED'000	Over 1 year AED'000	Total AED'000
31 December 2024							
− Outflow	**153,318**	**9**	**153,318**	**-**	**-**	**-**	**153,318**
− Inflow	**153,325**	**9**	**153,325**	**-**	**-**	**-**	**153,325**

	Notional Amount AED'000	Fair value	Up to 1 month AED'000	1 – 3 months AED'000	3 – 12 months AED'000	Over 1 year AED'000	Total AED'000
31 December 2023							
− Outflow	58,602	2	58,602	-	-	-	58,602
− Inflow	58,603	2	58,603	-	-	-	58,603

3 Financial risk management (continued)

3.4 Liquidity risk (continued)

3.4.1 Non-derivative and derivative cashflows (continued)

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

As at 31 December 2024

	Carrying Amount AED'000	Gross nominal outflows AED'000	Less than 3 months AED'000	3 to 12 months AED'000	Over 1 year AED'000
Financial liabilities					
Due to other banks	**2,604**	**2,604**	**2,604**	**-**	**-**
Due to Head Office and branches abroad	**187,406**	**187,406**	**187,406**	**-**	**-**
Due to customers	**90,373**	**90,373**	**87,373**	**3,000**	**-**
Other (Lease liability)	**2,679**	**2,679**	**-**	**-**	**2,679**
	283,062	**283,062**	**277,383**	**3,000**	**2,679**
Unutilised commitments (Unconditionally cancellable)	**593,658**	**593,658**	**593,658**	**-**	**-**
Guarantees, acceptances and other financial facilities	**1,935,496**	**1,935,496**	**127,869**	**301,647**	**1,505,980**

3 Financial risk management (continued)

3.4 Liquidity risk (continued)

3.4.1 Non-derivative cashflows (continued)

As at 31 December 2023

	Carrying Amount AED'000	Gross nominal outflows AED'000	Less than 3 months AED'000	3 to 12 months AED'000	Over 1 year AED'000
Financial liabilities					
Due to other banks	2,376	2,376	2,376	-	-
Due to Head Office and branches abroad	59,110	59,110	59,110	-	-
Due to customers	55,050	55,050	55,050	-	-
Other (Lease Liability)	461	461	461	-	-
	116,997	116,997	116,997	-	-
Unutilised commitments (Unconditionally cancellable)	547,228	547,228	547,228	-	-
Guarantees, acceptances and other financial facilities	1,729,071	1,729,071	175,074	86,430	1,467,567

Maturity analysis of assets and liabilities

The table below shows an analysis of the gross balances of the assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2024

Assets	**Less than 3 months**	**3 to 12 month**	**Over 1 Year**	**Total**
Cash and balances with the Central Bank of UAE	**342,518**	**200,000**	**-**	**542,518**
Due from Head office and other branches	**1,198**	**-**	**-**	**1,198**
Due from other Banks	**53,168**	**12,102**	**-**	**65,270**
Loans and advances	**139,591**	**-**	**-**	**139,591**
Other assets	**396**	**993**	**9,216**	**10,605**
Total	**536,871**	**213,095**	**9,216**	**759,182**

Liabilities	**Less than 3 months**	**3 to 12 month**	**Over 1 Year**	**Total**
Due to banks	**2,604**	**-**	**-**	**2,604**
Due to Head office and branches abroad	**187,406**	**-**	**-**	**187,406**
Due to customers	**87,373**	**3,000**	**-**	**90,373**
Current tax liabilities	**5,063**	**634**	**-**	**5,697**
Other liabilities	**17,593**	**13,535**	**612**	**31,740**
Total	**300,039**	**17,169**	**612**	**317,820**

3 Financial risk management (continued)

3.4 Liquidity risk (continued)

3.4.1 Non-derivative cashflows (continued)

Maturity analysis of assets and liabilities (continued)

As at 31 December 2023

Assets	Less than 3 months	3 to 12 month	Over 1 Year	Total
Cash and balances with the Central Bank of UAE	253,495	200,000	-	453,495
Due from Head office and other branches	8,110	-	-	8,110
Due from other Banks	40,008	9,443	-	49,451
Loans and advances	44,112	-	-	44,112
Other assets	258	910	8,862	10,030
Total	345,983	210,353	8,862	565,198

Liabilities	Less than 3 months	3 to 12 month	Over 1 Year	Total
Due to banks	2,376	-	-	2,376
Due to Head office and branches abroad	59,110	-	-	59,110
Due to customers	55,050	-	-	55,050
Current tax liabilities	5,110	-	-	5,110
Other liabilities	1,252	11,048	831	13,131
Total	122,898	11,048	831	134,777

3.5 Fair value of financial assets and liabilities

The table below summarises the carrying amounts and fair values of financial instruments of the Branches:

	Carrying value		**Fair value**	
	2024	2023	**2024**	2023
	AED'000	AED'000	**AED'000**	AED'000
Financial assets				
Cash and balances with the Central Bank of UAE	**542,398**	453,440	**542,398**	453,440
Due from other banks	**65,259**	49,436	**65,259**	49,436
Due from Head Office and branches abroad	**1,198**	8,107	**1,198**	8,107
Loans and advances	**96,130**	273	**96,130**	273
Other assets	**106**	100	**106**	100
	705,091	511,356	**705,091**	511,356

3 Financial risk management (continued)

3.5 Fair value of financial assets and liabilities (continued)

	Carrying value		Fair value	
	2024 AED'000	2023 AED'000	**2024 AED'000**	2023 AED'000
Financial liabilities				
Due to other banks	**2,604**	2,376	**2,604**	2,376
Due to Head Office and branches abroad	**187,406**	59,110	**187,406**	59,110
Due to customers	**90,373**	55,050	**90,373**	55,050
Other liabilities	**120**	73	**120**	73
	280,503	116,609	**280,503**	116,609

(i) Due to / due from other banks, cash and balances with the Central bank of UAE and due from Head Office and branches abroad include inter-bank placements

These are generally short term and the carrying amount approximates their fair value.

(ii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The carrying amount approximates the fair value of loans and advances.

(iii) Due to customers

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

The assets measured at fair value as per the hierarchy are disclosed in the table below:

	Level 1 AED '000	**Level 2 AED '000**	**Level 3 AED '000**
31 December 2024			
Foreign currency forwards – assets	9	-	-
Foreign currency forwards – liabilities	9	-	-
31 December 2023			
Foreign currency forwards – assets	2	-	-
Foreign currency forwards – liabilities	2	-	-

There have been no transfers of financial assets and financial liabilities between Level 1 and Level 2 during the years ended 31 December 2024 or 2023.

3 Financial risk management (continued)

3.6 Capital management

The Central Bank of the UAE sets and monitors capital requirements for the Branch.

The Branches' regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes allocated capital, statutory reserve and retained earnings, after deductions for goodwill and intangible assets, if any.
- Tier 2 capital, which includes qualifying subordinated liabilities.

The Branches complied in full with capital requirements, as laid out by the CBUAE requirement as at and during all days of the year ended 31 December 2024 and 2023. All banks operating in U.A.E. are required to maintain a minimum capital adequacy of 13% (Including Capital Conservation Buffer (CCB))

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

3.6.1 Capital structure and capital adequacy as per Basel III

The Branches are required to report capital resources and risk-weighted assets under the Basel III Pillar 3 framework, as shown in the following table.

	Notes	2024 AED'000	2023 AED'000
Tier 1 capital			
Allocated capital	16a	**316,403**	316,403
Regulatory credit risk reserve	16b	**15,597**	15,597
Legal reserves		**32,747**	31,256
Accumulated profits		**23,054**	9,640
IFRS transitional arrangement: Partial add-back of ECL impact to CET1		**52**	37
		387,853	372,933
Tier 2 Capital			
General Provision		**-**	-
Total regulatory capital			372,933
Risk Weighted Assets			
Credit risk		**763,963**	558,629
Market risk		**537**	598
Operation risk		**30,677**	19,039
Total risk weighted assets		**795,177**	578,265
Capital adequacy ratio on Regulatory capital		**48.77%**	64.49%
Capital adequacy ratio on Tier 1 capital		**48.77%**	64.49%

Risk weighted assets relating to credit risk as at 31 December 2024 is AED 763,963 thousand (2023: AED 558,629 thousand).

3 Financial risk management (continued)

3.6 Capital management (continued)

3.6.2 Analysis of Branches' exposure based on Basel III standardised approach

	On balance sheet gross outstanding AED '000	Off balance sheet gross outstanding AED '000	Credit Risk Mitigation (CRM) Exposure before CRM AED '000	CRM AED '000	After CRM & CCF AED '000	Risk weighted Assets AED '000
31 December 2024						
Claims on sovereigns	**545,854**	**-**	**545,854**	**-**	**545,854**	**-**
Claims on banks	**66,467**	**1,556,559**	**1,623,026**	**238**	**947,275**	**463,777**
Claims on corporates	**139,591**	**972,595**	**1,068,748**	**401**	**286,422**	**286,021**
Other assets	**14,168**	**-**	**14,168**	**-**	**14,168**	**14,168**
Total claims	**766,080**	**2,529,154**	**3,251,796**	**639**	**1,793,719**	**763,966**

	On balance sheet gross outstanding AED '000	Off balance sheet gross outstanding AED '000	Exposure before CRM AED '000
Of which:			
Rated exposure	**612,321**	**1,556,559**	**2,168,880**
Unrated exposure	**153,759**	**972,595**	**1,082,916**
Total exposure	**766,080**	**2,529,154**	**3,251,796**

3 Financial risk management (continued)

3.6 Capital management (continued)

3.6.2 Analysis of the Branches' exposure based on Basel III standardised approach (continued)

			Credit Risk Mitigation (CRM)			
	On balance sheet gross outstanding AED '000	Off balance sheet gross outstanding AED '000	Exposure before CRM AED '000	CRM AED '000	After CRM & CCF AED '000	Risk weighted Assets AED '000
31 December 2023						
Claims on sovereigns	453,531	-	453,531	-	453,531	-
Claims on banks	57,563	1,420,143	1,477,706	238	778,554	391,049
Claims on corporates	44,112	856,156	856,436	650	156,920	156,270
Other assets	11,320	-	11,320	-	11,320	11,310
Total claims	566,526	2,276,299	2,798,995	888	1,400,325	558,629

Of which:			
Rated exposure	511,091	1,420,143	1,931,234
Unrated exposure	55,435	856,159	867,761
Total exposure	566,526	2,276,302	2,798,995

3 Financial risk management (continued)

3.6 Capital management (continued)

3.6.3 Capital requirement for market risk under standardised approach

	Risk Weighted Assets		Capital Charge	
	2024	2023	**2024**	2023
	AED '000	AED '000	**AED '000**	AED '000
Market risk				
Foreign exchange risk	**537**	598	**56**	63

Capital charge for year ended 31 December 2024 has been calculated at 10.5% for Basel III (2023: 10.5%).

3.6.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed processes, technology and infrastructure within the Branches, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory compliance requirements and generally accepted standards of corporate behaviour.

The Branches' objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Branches' reputation, assets and personnel with overall cost effectiveness.

3.6.5 Capital Requirement

	2024	2023
Minimum Common Equity Tier 1 (CET 1) ratio	**7.0%**	7.0%
Minimum tier 1 capital ratio	**8.5%**	8.5%
Minimum capital adequacy ratio	**10.5%**	10.5%
Capital Conservation Buffer (CCB)	**2.5%**	2.5%

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

As per the new credit risk management standards (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. The reconciliation between general and specific provision is as follows:

	2024
	AED 000
Impairment reserve: Specific	
Specific provisions under CRMS of CBUAE	**43,838**
Less: Stage 3 provisions under IFRS 9	**(43,838)**
Specific provision transferred to the impairment reserve*	**-**
Total provision transferred to the impairment reserve	**-**
Impairment reserve: General	
General provisions under CRMS of CBUAE **	**11,459**
Less: Stage 1 and Stage 2 provisions under IFRS 9	**(630)**
General provision transferred to the impairment reserve*	**-**

**In the case where provisions under IFRS 9 exceed provisions under CBUAE, no amount shall be transferred to the impairment reserve.*
*** The regulatory credit risk reserve included in the statement of changes in capital and reserves has been maintained at AED 15,597K from the financial year ending December 2015. Accordingly, the reserve maintained is significantly higher than the provision required as per new credit risk management standards (CRMS) issued by CBUAE as at 31 December 2024.*

4 Critical accounting estimates and judgments in applying accounting policies

The Branches based their assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Branches. Such changes are reflected in the assumptions when they occur.

The basis used by management in determining the carrying values of loans and advances and the underlying risk therein are discussed below:

Impairment losses on loans and advances
The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Branches' ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Branches' internal credit grading model, which assigns PDs to the individual grades
- The Branches' criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Estimating the incremental borrowing rate
The Branches cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Branches would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Branches 'would have to pay',which requires estimation when no observable rates are available when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).The Branches estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (to reflect the terms and conditions of the lease).

Fair value measurement
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates as well as the use of different, but equally reasonable estimates may have an impact on their carrying amounts.

4 Critical accounting estimates and judgments in applying accounting policies (continued)

Judgements

In the process of applying the Branches' accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Classification of financial assets

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

Determination of the lease term for lease contracts with renewal and termination options (Branches as a lessee)

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

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

Going concern

The Branches management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Branches ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

5 Cash and balances with the Central Bank UAE

	2024	2023
	AED'000	AED'000
Statutory and other deposits with Central Bank of UAE*	**12,518**	13,495
Treasury Monetary bills with the Central Bank of UAE	**400,000**	200,000
Overnight Deposit Facility ("ODF") Central Bank of UAE	**130,000**	240,000
Less: Allowances for impairment (ECL)	**(120)**	(55)
	542,398	453,440

* includes statutory reserve requirement of AED 10,380 thousand (2023: AED 6,941 thousand)

5 Cash and balances with the Central Bank UAE (continued)

Cash and balances with the Central bank of UAE with residual maturity within 3 months amount to AED 342,518 thousand (2023: AED 253,495 thousand).

Treasury Monetary bills carry 4.45 to 5.14% premium discounting (with six months original maturity) (2023: 5.6%) and ODF carries 4.4% of coupon rate.

Balances with the CBUAE are in stage 1 throughout the year.

6 Due from other banks

	2024	2023
	AED'000	AED'000
Placements (Including nostro balances)	**31,241**	5,155
Bills discounted	**34,029**	44,296
Less: Allowances for impairment (ECL)	**(11)**	(15)
	65,259	49,436

Amounts due from other banks are in stage 1 throughout the year.

7 Due from Head Office and branches abroad

	2024	2023
	AED'000	AED'000
Placements	**-**	4,464
Current accounts	**1,191**	203
Receivables from other branches	**7**	3,443
Less: Allowances for impairment (ECL)	**-**	(3)
	1,198	8,107

8 Loans and advances

	2024	2023
	AED'000	AED'000
Loans and advances	**139,591**	44,112
Less: Allowances for impairment	**(43,461)**	(43,839)
	96,130	273

8 Loans and advances (continued)

8(a) Analysis of loans and advances

	2024 **AED'000**	2023 AED'000
Term Loan	**-**	-
Overdrafts	**114,552**	44,112
Acceptance Discounted	**25,039**	-
Total loans and advances	**139,591**	44,112

Movement of provision for credit losses are as follows:

	2024 **AED'000**	2023 AED'000
Balance at 1 January	**43,839**	40,531
Provided during the year	**1,530**	3,457
Recoveries during the year	**(1,908)**	(149)
Balance at 31 December	**43,461**	43,839

Past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. There were no past due but not impaired loans or advances as at 31 December 2024 (2023: NIL).

Modified and renegotiated loans

The total amount of modified or renegotiated loans as at 31 December 2024 are Nil (2023: Nil).

Ageing for stage 2 and stage 3 loans

There are no loans outstanding under stage 2. Stage 3 loans are more than Ten years old.

8(b) Impairment allowance for loans and advances

The table below shows the credit quality and the maximum exposure to credit risk based on the Branches' internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances and interest in suspense.

In AED 000		**2024**		
Rating grade	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Performing				
Normal	**96,153**	**-**	**-**	**96,153**
Watchlist	**-**	**-**	**-**	**-**
Non-performing				
Default	**-**	**-**	**43,438**	**43,438**
Total	**96,153**	**-**	**43,438**	**139,591**

8 Loans and advances (continued)

8(b) Impairment allowance for loans and advances (continued)

In AED 000	2023			
Rating grade	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Performing				
Normal	280	-	-	280
Watchlist	-	-	-	-
Non-performing				
Default	-	-	43,832	43,832
Total	280	-	43,832	44,112

An analysis of changes in the gross carrying amount in relation to loans and advances is, as follows:

In AED 000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2024	**280**	**-**	**43,832**	**44,112**
New assets originated	**96,153**	**-**	**-**	**96,153**
Interest due but unpaid	**-**	**-**	**1,507**	**1,507**
Assets derecognised or repaid (excluding write offs)	**(280)**	**-**	**(1,901)**	**(2,181)**
At 31 December 2024	**96,153**	**-**	**43,438**	**139,591**

In AED 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	80,518	-	40,428	120,946
New assets originated	280	-	-	280
Interest due but unpaid	-	-	3,404	3,404
Assets derecognised or repaid (excluding write offs)	(80,518)	-	-	(80,518)
At 31 December 2023	280	-	43,832	44,112

Loans and advances in the statement of financial position are stated net of impairment allowances. The movements for impairment allowances are as follows:

8 Loans and advances (continued)

8(c) ECL for loans and advances

In AED 000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment allowance as at 1 January 2024	**7**	**-**	**43,832**	**43,839**
Allowances for impairment made during the year	**23**	**-**	**-**	**23**
Impairment charge on interest due but unpaid	**-**	**-**	**1,507**	**1,507**
Reversal made during the year due to repayment	**(7)**	**-**	**(1,901)**	**(1,908)**
At 31 December 2024	**23**	**-**	**43,438**	**43,461**

In AED 000	Stage 1	Stage 2	Stage 3	Total
Impairment allowance as at 1 January 2023	103	-	40,428	40,531
Allowances for impairment made during the year	53	-	-	53
Impairment charge on interest due but unpaid	-	-	3,404	3,404
Reversal made during the year due to repayment	(149)	-	-	(149)
At 31 December 2023	7	-	43,832	43,839

9 Other assets

	2024	2023
	AED'000	AED'000
Deferred tax asset (Note 26)	**9,157**	8,803
Prepayments and others	**1,333**	1,125
Interest receivable	**106**	100
Fair value of foreign currency forwards (Note 19)	**9**	2
	10,605	10,030

10 Furniture and equipment

	Furniture, fixtures and fittings AED'000	Data processing and other equipment AED'000	Vehicles AED'000	Total AED'000
Cost				
At 1 January 2023	2,428	2,051	677	5,156
Additions	-	18	483	501
Disposal/write off	-	(483)	(465)	(948)
At 31 December 2023	2,428	1,586	695	4,709
Additions	42	55	-	97
Disposal/write off	-	-	-	-
At 31 December 2024	**2,470**	**1,641**	**695**	**4,806**
IFRS 16 leases				
At 1 January 2023	-	1,091	-	1,091
Disposals	-	(225)	-	(225)
Additions	-	225	-	225
At 31 December 2023	-	1,091	-	1,091
Disposals	-	(1,091)	-	(1,091)
Additions	-	2,885	-	2,885
At 31 December 2024	**-**	**2,885**	**-**	**2,885**
Accumulated Depreciation				
At 1 January 2023	2,364	1,655	632	4,651
Charge for the year	50	101	165	316
Disposal/write off	-	(482)	(465)	(947)
At 31 December 2023	2,414	1,274	332	4,020
Charge for the year	29	92	121	242
Disposal/write off	-	-	-	-
At 31 December 2024	**2,443**	**1,366**	**453**	**4,262**
IFRS 16 leases				
At 1 January 2023	-	55	-	55
Charge for the year	-	658	-	658
Disposals	-	(225)	-	(225)
At 31 December 2023	-	488	-	488
Charge for the year	-	666	-	666
Disposals	-	(1,091)	-	(1,091)
At 31 December 2024	**-**	**63**	**-**	**63**
At 31 December 2024	**27**	**3,097**	**242**	**3,366**
At 31 December 2023	14	915	363	1,292

10 Furniture and equipment (continued)

Set out below are carrying amounts of lease liabilities (included under other liabilities) and the movements during the period:

	2024 AED'000	2023 AED'000
At January 1	**461**	416
Additions	**2,722**	61
Accretion of interest	**18**	45
Payments	**(521)**	(61)
	2,680	461

11 Due to other banks

	2024 AED'000	2023 AED'000
Current accounts	**2,604**	2,376

12 Due to Head Office and branches abroad

	2024 AED'000	2023 AED'000
Term deposits	**166,848**	**44,443**
Current accounts	**20,558**	**14,667**
	187,406	**59,110**

Interest rates on term deposits are contractually agreed with the Head Office and other branches abroad. The range of interest rate for 2024 was 4.4% - 3.05% (2023: 5.4%).

13 Due to customers

	2024 AED'000	2023 AED'000
Term deposits	**46,560**	16,682
Current accounts	**43,813**	38,368
	90,373	55,050

Top ten customer deposits represent 88.28% (2023: 90.76%) of the deposits outstanding at year end.

14 Other liabilities

	2024 AED'000	2023 AED'000
Interest payable	**120**	73
Provision for employees' end of service benefits (Note 15)	**3,777**	3,188
Provision for other employees' benefits	**3,187**	2,379
Provision for taxation (Note 26)	**5,697**	5,110
Fair value of foreign currency forwards (Note 19)	**9**	2
Accruals	**803**	1,794
Others	**23,844**	5,695
	37,437	18,241

15 Provision for employees' end of service benefits

Movement in provision for employees' end of service benefits is analysed below:

	2024 AED'000	2023 AED'000
At 1 January	**3,188**	3,841
Provision made during the year (Note 25)	**494**	531
Amount paid during the year	**-**	(1,184)
Transfer from Other Branches	**95**	-
At 31 December	**3,777**	3,188

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2024, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Average increment/promotion costs in 2024 is 3.22% (2023: 9%).

16 Allocated capital and Regulatory credit risk reserve

(a) *Allocated capital*
In accordance with the Federal Law No. 32 of 2021, allocated capital represents the amount of interest free capital provided by the Head Office.

(b) *Regulatory credit risk reserve*
The Branches have created a non-distributable reserve in lieu of the general provision required to be created in accordance with the new credit risk management standards (CRMS) issued by the Central Bank of UAE.

17 Legal reserve

In accordance with Decretal Federal Law No. 14 of 2018, 10% of the net profit for the year is transferred to a legal reserve, until such time as the balance in the reserve equals 50% of the issued share capital. This reserve is not available for distribution. Correspondingly an amount of AED 1,334 thousand for 2024 (2023: AED 1,491 thousand) was transferred to legal reserve.

18 Contingencies and commitments

	2024 **AED'000**	2023 AED'000
Guarantees	**1,923,024**	1,721,656
Acceptances	**-**	5,781
Letters of credit	**12,472**	1,634
Unutilized commitments (unconditionally cancellable)	**593,658**	547,228
	2,529,154	2,276,299

Movement in the gross carrying amount:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount at 1 January 2024	**2,254,811**	**21,488**	**-**	**2,276,299**
New contingencies and commitments	**754,093**	**65,124**	**-**	**819,218**
Matured contingencies and commitments	**(270,813)**	**(9,457)**	**-**	**(280,270)**
Transfer from Stage 1 to Stage 2	**(138,647)**	**138,647**	**-**	**-**
Transfer from Stage 2 to Stage 1	**-**	**-**	**-**	**-**
Exchange difference	**(286,093)**	**-**	**-**	**(286,093)**
At 31 December 2024	**2,313,351**	**215,803**	**-**	**2,529,154**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2023	2,457,414	75,701	-	2,533,115
New contingencies and commitments	18,412	9,372	-	27,784
Matured contingencies and commitments	(386,982)	(3)	-	(386,985)
Transfer from Stage 1 to Stage 2	(12,102)	12,102	-	-
Transfer from Stage 2 to Stage 1	75,684	(75,684)	-	-
Exchange difference	102,385	-	-	102,385
At 31 December 2023	2,254,811	21,488	-	2,276,299

18 Contingencies and commitments (continued)

Movement in the amount of ECL is as below:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2024	**325**	**16**	**-**	**342**
Charge	**394**	**93**	**-**	**486**
Reversal	**(340)**	**(16)**	**-**	**(356)**
At 31 December 2024	**379**	**93**	**-**	**472**

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	122	52	-	174
Charge	378	17	-	395
Reversal	(175)	(52)	-	(227)
At 31 December 2023	325	17	-	342

Guarantees, which represent irrevocable assurances that the Branches will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Letters of credit are written undertakings by the Branches on behalf of a customer authorising a third party to draw drafts on the Branches, up to a stipulated amount, under specific terms and conditions. Some of these letters of credit are collateralised by the underlying shipments of goods to which they relate and therefore have less risk.

Cash margin requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Branches do not generally expect the third party to draw funds under the agreement.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Branches are potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

While there is some risk associated with the remainder of commitments, the risk is viewed as modest since it results firstly from the possibility of the unused portion of loan authorisations being drawn by the customer, and second, from these drawings subsequently not being repaid when due. The Branches monitor the term to maturity of credit commitments because longer term commitments generally have a greater degree of risk than shorter term commitments. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Guarantees and acceptances include AED 1,499 million (2023: AED 1,367 million) incurred on behalf of other branches of the Head Office.

19 Forward foreign exchange contracts

Forward foreign exchange contracts (FECs) comprise commitments to purchase and sale of foreign and domestic currencies on behalf of customers and in respect of the Branches' propriety activities and undelivered spot transactions. The FV hierarchy of the forward foreign exchange contracts are disclosed in note 3.5

The Branches have entered into the following forward exchange transactions:

	Assets AED'000	**Liabilities AED' 000**	**Contract Commitment AED'000**
31 December 2024	**9**	**9**	**153,325**
31 December 2023	2	2	58,603

20 Interest income

	2024 AED'000	2023 AED'000
Interest income on :		
- balances with Central Bank of UAE	**27,928**	19,752
- balances with Head Office and branches abroad (Note 28)	**394**	602
- loans and advances	**2,497**	4,271
- other bank balances	**3,506**	5,114
	34,325	29,739

21 Interest expense

	2024 AED'000	2023 AED'000
Interest expense on :		
- balances due to Head Office and branches abroad (Note 28)	**3,044**	3,615
- due to customers	**3,004**	2,161
- other bank deposits	**27**	75
	6,075	5,851

22 Net fees and commission income

	2024 AED'000	2023 AED'000
LC and Guarantees	**2,012**	**2,008**
Other fees and commission	**199**	**426**
From Head Office and branches abroad (Note 28)	**2,178**	**2,258**
	4,389	**4,692**

23 Operating expenses

	2024 AED'000	2023 AED'000
Staff costs (Note 25)	**16,294**	**13,330**
Head Office costs (Note 28)	**8,471**	**9,267**
Others – Head office & other branches (Note 28)	**1,430**	**1,286**
Depreciation (Note 10)	**908**	**974**
Others	**3,477**	**2,916**
Recharge to other branch (Note 28)	**(16,331)**	**(17,989)**
	14,249	**9,784**

24 Net impairment

Provision for credit losses recognised/(released) in the statement of income is as follows

	2024 AED'000	2023 AED'000
Net impairment of charge/(release) on financial assets:		
Loans and advances (Note 8d)	**16**	(96)
Contingencies and commitments (Note 18)	**136**	168
Balances with the Central Bank of UAE	**59**	3
Due from Head Office and branches abroad (Note 28)	**(4)**	2
Due from other banks (Note 6)	**1**	(4)
	208	73

25 Staff costs

	2024 AED'000	2023 AED'000
Salaries and wages	**8,725**	7,078
Bonus	**2,588**	1,993
Employees' end of service benefits (Note 15)	**494**	531
Other benefits and allowances	**4,487**	3,728
	16,294	13,330

26 Taxation

	2024 AED'000	2023 AED'000
Current year income tax	**5,697**	**5,110**
Prior year income tax	**221**	**127**
Deferred tax	**(354)**	**(673)**
	5,564	**4,564**

Notes to the financial statements for the year ended 31 December 2024
(continued)

26 Taxation (continued)

The income tax rate applicable to the Branches' 2024 income is 20 % (2023: 20%).

Reconciliation between the profit/(loss) for the year before tax as per statement of comprehensive income and tax charge for the year is as follows:

	2024 AED'000	2023 AED'000
Profit for the year before taxation	**18,899**	19,469
Income tax at the rate of 20%	**3,780**	3,894
Tax effect of:		
Permanent tax differences	**929**	543
Prior year income tax	**221**	127
Corporate Tax	**634**	-
Income tax charge	**5,564**	4,564

The movement in the current taxation account during the year ended 31 December 2024 as presented in the financial statements is as follows:

	2024 AED'000	2023 AED'000
At 1 January	**5,110**	**2,220**
Current year charge	**5,697**	**5,110**
Tax paid (Including additional tax for Prior Year)	**(5,331)**	**(2,347)**
Prior year income tax charge	**221**	**127**
At 31 December	**5,697**	**5,110**
Balance Sheet – Income tax payable	**5,697**	**5,110**
Net current tax payable	**5,697**	**5,110**

Deferred income taxes are calculated on temporary differences under the liability method using an effective tax rate of 20%. Deferred income tax assets are recognized only to the extent that realization of the related tax benefit is probable.

The movement on the deferred tax asset is as follows:	**2024 AED'000**	2023 AED'000
At 1 January	**8,803**	**8,130**
Provision made during the year	**375**	**690**
Amounts reversed during the year	**(21)**	**(17)**
At 31 December	**9,157**	**8,803**

26 Taxation (continued)

Corporate Income Tax:

On December 9, 2022, 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 June 1, 2023. As the banks accounting year ends on December 31, the first tax period will be the period from January 1, 2024 to December 31, 2024, with the respective tax return to be filed on or before September 30, 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% on taxable profits above AED 375,000.

Applicability of Pillar Two

The Organisation of Economic Cooperation and Development (OECD) has published Globe Model Rules, which include a minimum 15% tax rate by jurisdiction ("Pillar Two"). Various countries have enacted or intend to enact tax legislation to comply with Pillar Two rules. As of the reporting date, Pillar Two legislation has not been substantively enacted in the UAE.

The Bank has conducted an assessment of the potential exposure to Pillar Two income taxes had the rules been in effect in UAE during the current reporting period. Based on this assessment, the Bank does not expect the top-up tax to be considered material.

UAE has announced the implementation of Pillar Two w.e.f January 2025. The Bank will continue to access the impact of Pillar Two income tax legislation to the UAE operations.

27 Cash and cash equivalents

	2024 AED'000	2023 AED'000
Cash and balances with the Central Bank of UAE	**132,138**	246,554
Due from other banks	**31,240**	11,413
Due from Head Office and branches abroad	**1,198**	8,110
Due to other banks	**(2,604)**	(2,376)
Due to Head Office and branches abroad	**(187,406)**	(59,110)
	(25,434)	204,591

28 Related parties

A number of transactions are entered into with Head Office and branches abroad in the normal course of business. These include loans, deposits and foreign currency transactions. In addition to balances with Head Office and branches disclosed separately, the following transactions were carried out on commercial terms and conditions duly approved by the management of the Branches.

	2024 AED'000	2023 AED'000
Balances as at 31 December:		
Due from Head Office and branches abroad (Note 7)	**1,198**	8,110
Due to Head Office and branches abroad (Note 12)	**187,406**	59,110

	2024 AED'000	2023 AED'000
Transactions during the year:		
Interest income (Note 20)	**394**	602
Interest expense (Note 21)	**(3,044)**	(3,615)
Net Fee and Commission (Note 22)	**2,178**	2,258
Operating expenses - Head Office costs (Note 23)	**(8,471)**	(9,267)
Operating expenses – Others (Note 23)	**(1,430)**	(1,286)
Operating expenses – Recharge to DIFC branch (Note 23)	**16,331**	17,989

Remuneration to key management personnel

	2024 AED'000	2023 AED'000
Number of key management personnel	**4**	3

	2024 AED'000	2023 AED'000
Salaries and other short term benefits	**(6,153)**	(5,886)
Employees' end of service benefits	**(510)**	(631)
Total compensation to key management personnel	**(6,663)**	(6,517)

28 Related parties (continued)

Movement in the gross carrying amount of related party balances (Including Recharge to Other Branches) (continued)

	Stage 1 AED 000	**Stage 2 AED 000**	**Stage 3 AED 000**	**Total AED 000**
Gross carrying amount as at 1 January 2024	**8,110**	**-**	**-**	**8,110**
New assets originated or purchased	**1,198**	**-**	**-**	**1,198**
Assets derecognised or repaid	**(8,110)**	**-**	**-**	**(8,110)**
As at 31 December 2024	**1,198**	**-**	**-**	**1,198**

	Stage 1 AED 000	Stage 2 AED 000	Stage 3 AED 000	Total AED 000
Gross carrying amount as at 1 January 2023	9,201	-	-	9,201
New assets originated or purchased	7,907	-	-	7,907
Assets derecognised or repaid	(8,998)	-	-	(8,998)
As at 31 December 2023	8,110	-	-	8,110

Movement in the amount of ECL is as below:

	Stage 1 AED 000	**Stage 2 AED 000**	**Stage 3 AED 000**	**Total AED 000**
ECL allowances as at 1 January 2024	**3**	**-**	**-**	**3**
New assets originated or purchased	**2**	**-**	**-**	**2**
Assets Repaid	**(5)**	**-**	**-**	**(5)**
As at 31 December 2024	**0**	**-**	**-**	**0**

	Stage 1 AED 000	Stage 2 AED 000	Stage 3 AED 000	Total AED 000
ECL allowances as at 1 January 2023	1	-	-	1
New assets originated or purchased	3	-	-	3
Assets Repaid	(1)	-	-	(1)
As at 31 December 2023	3	-	-	3

28 Related parties (continued)

Movement in the gross carrying amount of related party balances (Including Recharge to Other Branches) (continued)

	31 December 2024			
	Stage 1 AED 000	**Stage 2 AED 000**	**Stage 3 AED 000**	**Total AED 000**
Normal Grade (A+ - D-)	**1,198**	-	-	**1,198**
Watchlist grade (E+ - E-)	-	-	-	-
Default Grade (F/Z)	-	-	-	-
Total gross carrying amount	**1,198**	-	-	**1,198**
Expected credit loss	-	-	-	-
Carrying amount	**1,198**	-	-	**1,198**

	31 December 2023			
	Stage 1 AED 000	Stage 2 AED 000	Stage 3 AED 000	Total AED 000
Normal Grade (A+ - D-)	8,110	-	-	8,110
Watchlist grade (E+ - E-)	-	-	-	-
Default Grade (F/Z)	-	-	-	-
Total gross carrying amount	8,110	-	-	8,110
Expected credit loss	(3)	-	-	(3)
Carrying amount	8,107	-	-	8,107

29 Subsequent Events

There were no subsequent events to be reported.

30 Approval of the financial statements

The financial statements were approved on 28 March 2025.