



المصرف  
AL MASRAF

المصرف العربي للاستثمار والتجارة الخارجية Arab Bank for Investment & Foreign Trade

# ANNUAL REPORT 2024



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



**His Highness**  
**Sheikh Mohamed Bin Zayed Al Nahyan**  
President of the United Arab Emirates  
and Ruler of Abu Dhabi



**His Highness**  
**Sheikh Mohammed Bin Rashid Al Maktoum**  
Vice President and Prime Minister  
of the United Arab Emirates and Ruler of Dubai



**His Highness**

**Sheikh Mansour Bin Zayed Al Nahyan**

Vice President of the United Arab Emirates  
Deputy Prime Minister and Chairman  
of the Presidential Court



**His Highness**  
**Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan**  
Crown Prince of Abu Dhabi  
Chairman of the Abu Dhabi Executive Council



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# Section 1: Corporate Overview

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# About Us

## Our Vision

To become an innovative and preferred financial partner for all banking services in the region.

## Our Mission

Become the first choice bank for the customers with best-in-class products and services.

## Our Values

### Progressive

We are solutions- focused, maintain best-in-industry standards and value the free exchange of ideas.

## Our Spirit

### Ambitious

The goals we set define the standard of excellence. We galvanize the passion of our people to exceed the expectations of ourselves, our customers and the communities we serve.

The Arab Bank for Investment and Foreign Trade (Al Masraf) was founded in July 1976, commencing its banking operations under the authority of Federal Decree No. 50, issued and signed by the late His Highness Sheikh Zayed Bin Sultan Al Nahyan.

Be an employer of choice to attract, develop and retain high profile employees.

Benefit our investors with sustainable Return on Investment (ROI) and continuous success.

Contribute to society through active participation in the regional economic development initiatives.

### Connected

We are in touch with our customers, present for our colleagues, and connected to our communities - in person and online.

### Trusted

We are open and transparent, and build relationships that last for generations. We keep our word and take responsibility for actions.

Al Masraf has stood in the forefront promoting joint economic ventures among its partners The UAE, Libya & Algeria. By providing world class banking & trade finance services in the gulf region, Al Masraf strives to achieve its vision of becoming an innovative and preferred financial partner for all banking services in the region.

Al Masraf offers a full range of financial services including Retail Banking, Corporate Banking, Islamic Banking and Treasury and Investment services with the aim of helping their customers build and manage their finances. The Bank's values create a drive to constantly update its products and services in order to meet the diverse and evolving needs of their customers.

# At a Glance



Established in  
**1976**



Developed trade links between  
**UAE, Libya and Algeria**

## New Strategic Pillars



**Stabilization**

## Credit Ratings

**FITCH: A/F1**

Stable – Credit Opinion (May 2024)



**90%** focused  
on Corporate Banking



**5** branches and  
**50+** ATMs



Islamic Banking window  
launched in  
**2015**



Drive to  
**digitalization**  
across the Bank



**Diversification**



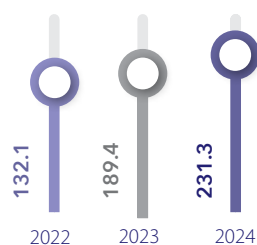
**Growth**

**Capital Intelligence: A/A1**  
Stable – Credit Opinion (September 2024)

# Financial Highlights

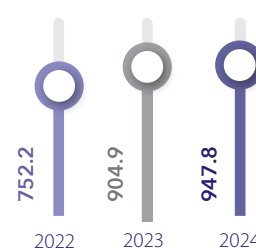
## Net Profit

AED mn



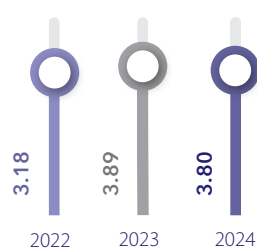
## Operating Income

AED mn



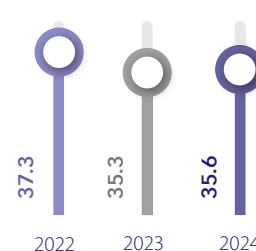
## Net Interest Margin

(%)



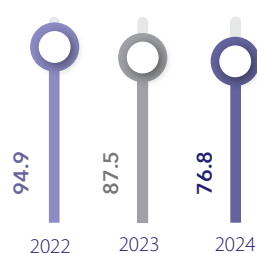
## Cost to Income Ratio

(%)



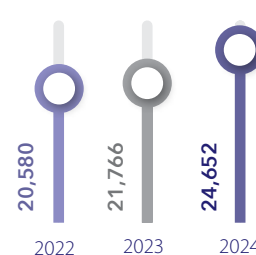
## Loan to Deposit Ratio

(%)



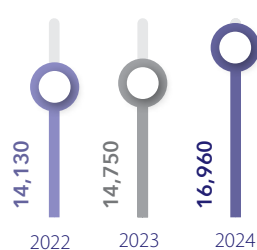
## Total Assets

AED mn



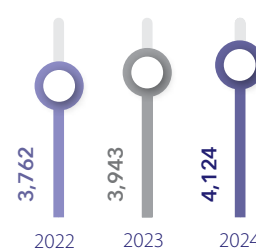
## Customers' Deposits

AED mn



## Total Equity

AED mn





# Board of Directors



**H.E. Farhat Omar Ben Gadara**  
Chairman



**Ms. Raja Mohammed  
Ghanim Al Mazrouei**  
Director



**Mr. Mustafa  
El Manea**  
Director



**Mr. Ahmed AlSidieg  
Al Sharkasi**  
Director



**H.E. Mohamed Saif Al Suwaidi**  
Vice Chairman



**Mr. Khalaf Sultan Rashed  
Al Dhaheri**  
Director



**Mr. Mustapha  
Makhoulf**  
Director



**Mr. Rahali  
Lahouri**  
Director

# Executive Management



**Mr. Masood Safar  
Al Majedi**  
Chief Compliance Officer



**Ms. Safeya  
Almarzooqi**  
Chief Credit Officer



**Mr. Ammar  
Husain**  
Chief Human Resources Officer



**Mr. Razi  
Heyasat**  
General Counsel & Board Secretary



**Mr. Moath Ahmed  
Mustafa**  
Chief Internal Audit Officer



**Mr. Rohit  
Kumar**  
Chief Risk Officer



**Mr. Nitin  
Bhargava**  
Chief Operation Officer

# Board of Directors



**H.E. Farhat Omar  
Ben Gadara**  
Chairman



**H.E. Mohamed Saif  
Al Suwaidi**  
Vice Chairman

H.E. Farhat Omar Ben Gadara is a seasoned financial professional with a wealth of experience and a strong record of leadership and achievement. His career in the financial industry is highlighted by a number of influential positions, including Chairman of Libya's National Oil Corporation and Chairman of Arab Bank for Investment & Foreign Trade (Al Masraf). In addition, he is a Chairman of Arab Banking Corporation International Bank in London, Vice Chairman of Unicredit Group, and Deputy Chairman of Arab Banking Corporation in Bahrain. He has also served as an Advisory Board Member for Standard Chartered Bank, and as Founder and Chairman of the Investment and Development Fund.

In addition to his work in the private sector, H.E. Ben Gadara has also held several important public positions, including Governor of the Central Bank of Libya, Member of the Oil and Gas Supreme Council, Member of the Supreme Planning Council, and Chairman of the African Central Bank Governors Association. Currently, he holds a Master's degree in Money, Banking and Finance from Sheffield University in the UK, as well as a BA in Economics from Benghazi University.

H.E. Mohamed Saif Al Suwaidi is the Director General of Abu Dhabi Fund for Development (ADFD), as has been appointed since 2008, in addition, H.E. Al Suwaidi is the Vice Chairman of the Arab Bank for Investment and Foreign Trade (Al Masraf). He serves as the Alternate Governor, representing the UAE, on the Board of Governors of the Asian Infrastructure Investment Bank (AIIB). Moreover, he also serves as a board member of many institutions such as the First Abu Dhabi Bank (post-merger), the Food Security Centre – Abu Dhabi, Al Jazira Sports and Cultural Club, UAE Red Crescent Authority, Agthia Group, Raysut Cement Company and Maroc Telecom, as well as many international institutions and entities.

H.E. Al Suwaidi holds a B.Sc. degree in Business Administration from California Baptist University, USA. He has also undertaken many intensive technical, administrative and leadership training programs.

# Board of Directors



**Ms. Raja Mohammed  
Ghanim Al Mazrouei**  
Director



**Mr. Mustafa  
El Manea**  
Director

A multi-award-winning digital transformation leader with over 20 years of experience accentuating the next-gen wave of digital innovation. Specializing heavily on the intricacies of the financial and technology sectors, Ms. Raja holds a strong history involving cross-functional leadership, finance, and all things progressive - collectively steered by her passion for pioneering large-scale industry and UAE community reform. Furthermore, she is highly acclaimed for instilling innovative advancements here in the present, as well as positioning stakeholders for sustainable success as they navigate deeper into the ever-transient, digital future.

Ms. Raja holds multiple membership positions in various organizations. She is currently the Managing Director of Etihad Credit Insurance (ECI) also a Board Member of ECI. She is also a Board Member of Zand and has been serving in this position on a full-time basis. Additionally, she is a Member of the Board of Trustees for the Mohammed Bin Rashid School of Government (MBRSG). In 2019 Ms. Raja appointed as a Board Member of Al Masraf. Furthermore, she is a Board Member of the MENA and Central Asia Advisory Board for the Harvard Business School.

She worked as a senior executive, former EVP of DIFC FinTech Hive. Here, Ms. Raja proactively networked with financial institutions, government entities, technology partners, Venture Capital/Funds, and entrepreneurs to spearhead the UAE's national innovation agenda. In addition, Ms. Raja's technical/financial acumen led to FinTech becoming a leading contributor to the UAE digital economy, the formation of 500+ FinTech, RegTech, and InsurTech startups that opened new doors for societal opportunities, and FinTech ranking as one of the World's best financial innovation labs under Global Finance Magazine.

From building winning mindsets, implementing scaling accelerations to diversely improving life quality via cutting-edge integrations, Ms. Raja enjoys leveraging larger-picture technology to secure viable outcomes across the board. This, in conjunction with her history of harvesting new 'status quo challenged' opportunities, and reputation for positioning UAE as an innovation destination, is what shaped Raja into an internationally recognized digital change agent – one who values people and process bridging and addresses every project with an ambition to create solutions that solidify mutually beneficial outcomes.

Mr. Mustafa El Manea is a highly accomplished corporate leader with an extensive experience in law, finance, and governance. He holds a Law degree from Garyounis University and has pursued advanced studies, obtaining an Arbitration certificate from Ain Shams University, a Communication certificate and a Certificate of qualification for leaders and managers from the United Kingdom. Additionally, Mr. El Manea has acquired diverse expertise through numerous training programs in risks, project management, rule of law, and planning.

With over two decades of legal expertise, Mr. El Manea has served in pivotal advisory roles, including as Advisor to the Governor of the Central Bank of Libya and Secretary of the National Transitional Council. His leadership extends to board memberships, where he has contributed significantly to organizations such as the Libyan Investment Corporation and the Libyan Foreign Bank.

Mr. El Manea's influence transcends borders, with active participation in international engagements, representing Libya in meetings with prestigious institutions like the United Nations, the International Monetary Fund and the World Bank. Furthermore, his involvement in initiatives such as the founding committee of the African Investment Bank and his advisory position to the Omani Sovereign Fund underscores his commitment to global economic development.

His corporate acumen, coupled with his legal prowess and dedication to advancing financial frameworks, makes Mr. Mustafa El Manea an invaluable asset in any corporate setting.

Mr. El Manea has been appointed as a Board Member at Arab Bank for Investment and Foreign Trade (Al Masraf) since 2023.

# Board of Directors



**Mr. Ahmed AlSidiq  
Al Sharkasi**  
Director



**Mr. Khalaf Sultan Rashed  
Al Dhaheeri**  
Director

The Board Member, Mr. Ahmed Al Sharkasi, has been appointed at Arab Bank for Investment and Foreign Trade (Al Masraf) since January 2022. He serves as the Secretary of the Prime Minister of the Council of Ministers of the Libyan Government of National Unity since 2021. Additionally, he is the head of the Future Foundation and a political advisor for general staff affairs. Moreover, he holds the position of executive director of Musharakah and Atismo Charity.

Mr. Ahmed Al Sharkasi holds a Master of Science degree from Britain and holds a Bachelor of Science degree from the University of Misrata.

Mr. Khalaf Sultan Al Dhaheri is a prominent business leader in the United Arab Emirates, known for his extensive experience in serving on numerous boards. He is a board member at Arab Bank For Investment & Foreign Trade (Al Masraf). Recently, in June 2022, he was appointed an Independent Non-Executive Director at Amanat Holdings PJSC, the largest healthcare and education investment company in the GCC. Additionally, he is the Chairman of Abu Dhabi National Islamic Finance and of Abu Dhabi National Properties Co. He also sits on the boards of Abu Dhabi National Hotels, Dar Al Takaful PJSC and Islamic Development Bank.

Mr. Al Dhaheri previously served as the Chairman of Massar Solutions PJSC, a Board Member of Emirates Institution for Banking and Financial Studies, and an Audit Committee Member of Abu Dhabi National Oil Company. Mr. Al Dhaheri also held numerous executive roles including Group Chief Operating Officer at National Bank of Abu Dhabi and General Manager & Chief Risk Officer of First Abu Dhabi Bank PJSC.

Mr. Al Dhaheri holds a bachelor's degree in accounting from U.A.E. University and holds an MBA from Zayed University. He is also a Certified Public Accountant from the California Board of Accountancy and the American Institute of Certified Public Accountants in the USA and has an accredited certification from Ashridge – Hertfordshire (UK) in advanced management programs.

With his strong background in finance and management, Al Dhaheri has established himself as a leader in the UAE's business community and has made significant contributions to the growth and development of the country's economy.

# Board of Directors



**Mr. Mustapha  
Makhoulf**  
Director



**Mr. Rahali  
Lahouri**  
Director

Mr. Mustapha Makhoulf is a seasoned financial professional with a wealth of experience in international banking and finance. He holds a Higher Certificate of Education in Mathematics, a Bachelor of Economics Sciences from the University of Algiers, and a post-graduate degree in Economic Sciences with a focus on economics analysis. He also holds several accreditations and certifications in technical training, banking activities, and anti-money laundering.

Mustapha's professional journey began as a teacher of Physics and Natural Sciences, before he served his military service.

In 1988, he joined Banque Extérieure d'Algérie (BEA) as a project manager and went on to serve in various capacities, including Area Manager for Europe and North America, Head of Department for International Banking Relations, and Manager of International Banking.

Throughout his career, Mr. Mustapha has received extensive training in banking and finance, participating in technical trainings, workshops, and seminars on anti-money laundering, international guarantees, international finance, and foreign trade. He has also gained international exposure through his active participation in business forums and meetings, representing BEA and promoting Algerian exports and business. Some of his notable international experiences include participation in conferences and exhibitions in Libya, Malaysia, France, Jordan, and South Korea.

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Rahali Lahouri brings over 33 years of extensive experience in banking and financial management, with a career spanning multiple leadership roles across prominent financial institutions in Algeria. He is currently the Director General of the External Bank of Algeria, a position he has held since April 2024.

Mr. Rahali has served as Chairman of the Board of Directors of the External Bank of Algeria (2021–2023) and as Chairman and CEO of the National Bank of Algeria (2019). Prior to this, he held various executive roles at the Local Development Bank (BDL), including Deputy General Director (2012–2019), Secretary General (2008–2012), Director of International Relations and Foreign Trade (2001–2003), and Director of the Operations Network (1999–2001). Throughout these roles, he managed teams, oversaw credit structures and commercial operations, and contributed significantly to the digital transformation of banking operations.

He holds a Third Cycle Diploma of Specialized Studies in Banking from the Tunis Development Finance Institute and a Bachelor's Degree in Financial Economics from the Institute of Economic Sciences of Oran. Fluent in Arabic, French, and English, Mr. Rahali is recognized for his expertise in banking functions, operational management, and strategic leadership.



## Section 2: Strategic Review

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# Chairman's Statement



H.E. Farhat Omar Ben Gadara  
Chairman

**“Al Masraf achieved strong financial performance and sustainable growth, recording net profits of AED 231.3 million, a 22.1% increase compared to AED 189.4 million in 2023. This remarkable achievement reflects the successful execution of our ambitious business strategy.”**

## Dear Shareholders,

On behalf of the Board of Directors and myself, it is with great pleasure that I present to you the Annual Report of the Arab Bank for Investment and Foreign Trade (Al Masraf) for the fiscal year ending December 31, 2024.

The year 2024 was a testament to the Bank's resilience, strategic foresight, and commitment to excellence. Building on a well-defined strategy, Al Masraf achieved strong financial performance and sustainable growth, recording net profits of AED 231.3 million, a 22.1% increase compared to AED 189.4 million in 2023. This remarkable achievement reflects the successful execution of our ambitious business strategy.

Throughout the year, we continued to leverage cutting-edge digital solutions and innovative financial services to enhance the banking experience for our customers. We introduced products tailored to meet the evolving needs of a diverse customer base.

Additionally, we expanded and strategically restructured our loan portfolio and increased our investment portfolio, driving growth in our balance sheet. Our accelerated digital transformation initiatives not only enhanced operational efficiency but also significantly improved the overall customer experience, resulting in greater efficiencies across all areas of our operations.

We also strengthened our presence in North African markets by capitalizing on our robust relationships with local financial institutions. By expanding our service offerings to include a comprehensive range of specialized banking solutions—such as trade finance and liquidity management—we have enhanced our ability to meet the diverse and evolving needs of our corporate clients in these high-potential emerging markets.

## Governance and Social Responsibility

Over the past year, we remained steadfast in our commitment to strengthening the foundations of corporate governance, guided by our firm belief that effective governance is the cornerstone of strong business performance. These efforts have significantly enhanced the transparency, accountability, and efficiency of our operations.

At Al Masraf, we consistently review and update our policies, ensuring compliance with all relevant regulatory standards. This rigorous oversight spans several critical areas including corporate governance, risk management, internal controls, compliance, internal audit, financial reporting, external audit, and outsourcing. The approval for these updates and amendments is granted by or on behalf of the Board.

In line with our commitment to strong corporate governance and in compliance with the regulations of the Central Bank of the UAE (CBUAE), we have conducted a comprehensive evaluation of the Board, its committees, and individual members. This assessment was carried out by an independent external consultant to ensure objectivity and alignment with best practices. It reflects our dedication to transparency, accountability, and continuous improvement in leadership and decision-making.

I am also pleased to welcome Mr. Fuad Mohamed as the new CEO of Al Masraf. With over two decades of experience in the banking sector, Mr. Mohamed brings a wealth of knowledge and leadership expertise that will undoubtedly contribute to the Bank's continued success and the realization of its strategic vision.

## Operational Environment

The UAE economy further solidified its status as a global economic powerhouse in 2024, building upon a legacy of significant achievements and progressive initiatives that have promoted openness, strengthened partnerships, and broadened economic diversification. By adopting innovative growth models and strategic approaches, the UAE has strengthened its position as a vital contributor to the global economy.

In 2024, the UAE made notable strides towards realizing the ambitious objectives set forth in the “We the UAE 2031” vision, which seeks to double the nation's GDP to AED 3 trillion within the next decade. The national economy sustained a robust growth rate of 4%, bolstered by a series of transformative initiatives and a resilient economic framework. This growth emphasizes the UAE's status as one of the most dynamic and competitive economies both regionally and globally.

A significant milestone achieved during the year was the ratification of the federal general budget for 2025, which encompasses total expenditures of AED 71.5 billion—the largest federal budget in the nation's history. This development reflects the strength and sustainability of the national economy, as well as the government's dedication to funding development and economic projects that promote long-term prosperity.

The robust performance of the national economy represents a continuation of the successes achieved in previous years, following a trend of positive growth rates across various indicators. This progress has been bolstered by innovative and diverse initiatives that have been instrumental in propelling comprehensive economic development towards greater growth, further supported by favorable legislative and regulatory measures, as well as ongoing efforts to enhance various economic sectors.

The UAE's economic achievements are further substantiated by its sovereign credit ratings: AA- with a stable outlook from Fitch Ratings and Aa2 with a stable outlook from Moody's, the highest ratings in the region. These distinctions underscore the country's economic stability, prudent fiscal policies, and capacity to attract global investment.

Additionally, the UAE's banking sector exhibited outstanding performance in 2024, with total assets increasing by 9% to AED 4.462 trillion, up from AED 4.075 trillion the previous year. The capital and reserves of national banks rose by 7% to AED 505 billion, marking a historic achievement as the sector's total capital and reserves exceeded the half-trillion-dirham threshold for the first time.

## Financial Performance

We take great pride in the robust results achieved in 2024. The Bank reported a net profit of AED 231.3 million for the year, a significant increase from AED 189.4 million in 2023, reflecting a growth of 22.1%. This rise in net profit can be attributed to enhanced operating performance, driven by a favorable balance of assets and liabilities alongside elevated interest rates. Additionally, customer deposits rose to AED 16,960 million, compared to AED 14,750 million in the previous year, while the Bank's investment portfolio expanded by 71.9% to AED 6,593 million, up from AED 3,836 million in 2023, primarily due to an increase in fixed income securities. Net loans and advances increased marginally to 13,034 million in 2024 from 12,901 million in 2023. As the Bank continues to enhance its risk management practices and strategically expand its portfolio through well-

considered new business acquisitions. The balance sheet remains robust, with capital adequacy ratios and liquidity metrics significantly exceeding regulatory standards. The Bank diligently manages its balance sheet while ensuring sufficient liquidity, maintaining a strong capital adequacy position with Tier 1 and Common Equity ratios well above the required thresholds.

## Outlook

As we look to the future, we are confident that our diversified business model and strategic priorities will enable us to achieve sustained growth and deliver value to our stakeholders. We will continue to invest in digital transformation, enhance our competitive capabilities, and provide innovative, efficient, and flexible services that meet the evolving expectations of our customers.

Our focus will remain on improving asset quality, diversifying revenue streams, and optimizing operational efficiency. We are committed to supporting the UAE's economic development and contributing to the nation's vision for a prosperous and sustainable future.

## Acknowledgments

In closing, I would like to express my deepest gratitude to our wise leadership for their unwavering support and guidance. Our sincere thanks to His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the UAE; His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, and Ruler of Dubai; and His Highness Sheikh Mansour bin Zayed Al Nahyan, Vice President, Deputy Prime Minister, and Minister of the Presidential Court, for their visionary leadership.

We are also grateful to the Central Bank of the UAE for its continuous support, to our loyal shareholders for their trust, to our valued customers for their partnership, and to our dedicated employees for their hard work and commitment.

Together, we will continue to build on our achievements and strive for even greater success in the years to come.

## H.E. Farhat Omar Ben Gadara Chairman



# Management Review

We are delighted to present this comprehensive review of the Arab Bank for Investment and Foreign Trade (Al Masraf) for the year 2024, highlighting its remarkable performance and key achievements. This report provides an in-depth analysis of the bank's progress across its core business sectors and supporting units, underscoring its dedication to driving growth while maintaining unwavering commitment to sustainability, governance, and social responsibility.

The year 2024 marked an exceptional milestone for Al Masraf, as the bank delivered robust financial results, achieving a significant increase of 22.1% in net profits, which totaled AED 231.3 million. This outstanding performance is a testament to the successful execution of the bank's strategic initiatives and its ability to capitalize on the dynamic and prosperous business environment in the United Arab Emirates. By expanding its core banking operations, maintaining prudent risk management practices, and adhering to global best practices, Al Masraf has further strengthened its financial and operational resilience.

## Financial Performance

The Bank recorded Net Profit after tax of AED 231.3 million, 22% higher compared to AED 189.4 million in 2023. The operating income increased to AED 947.8 million in 2024, 5% higher compared to the operating income reported for 2023. This increase was led by 3% increase in the net interest income and a 10% in non-interest income as compared to 2023. Due to ongoing transformational investments in technology, infrastructure and people, the operating expenses during the year increased to AED 337.5 million. The operating profit before impairment charge for 2024 was AED 610.3 million, higher by 4% compared to the previous year.

The Bank continued to adopt a conservative approach to manage its credit risk and in accordance with IFRS 9: Financial Instruments and the guidelines of the Central Bank of the UAE (CBUAE) recognized an additional net impairment charge during the year of AED 356.0 million. The net loans and advances increased marginally to AED 13.0 billion at the end of 2024 as the Bank remained selective in booking new business while proactively managing its legacy loan portfolio. The Bank increased its investment securities portfolio by AED 2.7 billion (72%) during the year. In line with the asset position, the customers' deposits were optimized and increased to AED 16.9 billion at

the end of 2024, an increase of AED 2.2 billion (15%) compared to end of 2023. The total assets of the Bank as of 31 December 2024 increased to AED 24.6 billion, higher by 13% compared to preceding year-end. Liquidity remained sound with the headline loan to deposit ratio and eligible liquid asset ratio as of 31 December 2024 being 73.3% and 17.0%, respectively, well above the minimum requirements set by the CBUAE.

## Business Performance and Operational Highlights

The year 2024 represented a pivotal milestone in the bank's digital transformation journey, as it advanced its digital strategy through the launch of innovative initiatives, the modernization of its technical infrastructure, and the optimization of operational efficiency. These efforts not only reinforced the bank's competitive edge within the banking sector but also underscored its dedication to delivering exceptional value to customers, adhering to regulatory standards, and driving sustainable growth. The positive impact of these initiatives was evident in the performance of the bank's business units, which achieved a notable increase in income, further bolstering the strength of its financial results.

In parallel, the bank remained steadfast in its commitment to investing in digital capabilities, enhancing operational efficiency, and diversifying revenue streams. These strategic investments have laid a solid foundation for long-term, sustainable growth.

The Corporate Banking Division delivered a robust performance in 2024, achieving impressive growth in fee and deposit revenues while maintaining a strong focus on asset quality. The division reinforced its commitment to excellence by enhancing its suite of corporate banking services and addressing the diverse needs of its customers through the development and launch of innovative, customer-centric products and solutions. Among these initiatives was the introduction of electronic cheques, which significantly enhanced transaction security, as well as the expansion of services available through smart cash deposit machines, providing the bank with a distinct competitive advantage in the market.

In addition, the bank launched a targeted campaign to promote the use of trade finance solutions among its customers, which led to a substantial increase in

the commercial loan portfolio. Demonstrating its dedication to upholding the highest standards of Islamic banking, the bank updated and revamped its Islamic banking website in alignment with Shari'ah principles, as well as the guidelines, circulars, and regulations issued by the Central Bank of the UAE. This effort was complemented by the bank's ongoing focus on growing its Islamic corporate finance business in strict compliance with Shari'ah provisions, while maintaining rigorous credit standards and fostering a robust regulatory environment for effective risk management.

Furthermore, the bank continued to prioritize the development of the trade finance sector by streamlining trade flows through strategic channels, particularly in North Africa, and providing unwavering support to its customers both within and outside the UAE.

The SME sector stands as a cornerstone of the nation's economy, and throughout 2024, the bank reaffirmed its commitment to supporting this vital sector by introducing a range of innovative banking solutions tailored specifically to meet the unique needs of small and medium-sized enterprises. To further empower these businesses, the bank developed an advanced platform for managing payments and liquidity, significantly enhancing operational efficiency and fostering sustainable growth for SMEs.

The retail banking business also experienced remarkable growth in 2024, fueled by a substantial increase in both loan and deposit portfolios, as well as improved product profitability. The bank remained steadfast in its efforts to elevate the customer experience by offering a diverse and distinguished range of banking products and services, designed to help customers efficiently manage their businesses and financial resources.

Additionally, the bank launched several initiatives to enhance the quality of services delivered through digital channels and ATMs. These included the development of cutting-edge digital platforms, faster service delivery mechanisms, and updates to the mobile banking application to align with global industry standards. The integration of electronic payment services such as Apple Pay and Samsung Pay further elevated the convenience and security of banking transactions, reflecting the bank's focus on innovation and customer satisfaction.

In line with its commitment to employee development, the bank introduced an advanced learning and development platform in 2024, supported by mobile tools that offer flexibility and convenience, enabling

employees to enhance their skills effectively. The bank also collaborated with the Emirates Institute of Finance to organize intensive training programs, equipping employees with the digital and technical expertise necessary to meet future challenges.

As part of its human capital development strategy, the bank continued to attract top-tier talent to support its business growth, with a strong emphasis on boosting employee productivity and achieving cost efficiency. Notably, the bank has made significant strides in Emiratization, employing 142 Emirati nationals and raising the Emiratization rate to over 57%.

To further support Emiratization policies and attract national talent, the bank actively participated in numerous job fairs across the UAE, reinforcing its commitment to empowering Emirati professionals and providing them with exceptional career opportunities.

Recognizing the growing importance of cybersecurity in an increasingly digital world, the bank bolstered its multi-layered security controls and strengthened its cyber resilience capabilities. Regular awareness campaigns were conducted to educate both employees and customers on combating cyber threats, ensuring the highest levels of security and protection for all stakeholders.

Sustainability and social responsibility remain integral to the bank's strategy, reflecting its unwavering commitment to aligning its business and operational practices with the best international standards. As a trusted partner in the transition toward sustainability, the bank actively supports its customers through comprehensive social responsibility programs that encompass a wide range of community initiatives.

In 2024, the bank hosted a breast cancer awareness event at its headquarters and organized a mountain climbing trip in Jabal Al Rabi - Khorfakkan to celebrate Flag Day, where the UAE flag was proudly raised at the summit, symbolizing unity and national pride.

The bank also demonstrated its dedication to community empowerment by sponsoring the "Fazza International" championships, hosted by the Dubai Club for People of Determination, to support individuals with special needs. In the banking sector, the bank sponsored numerous specialized conferences and events, while maintaining a strong presence at employment fairs nationwide, further solidifying its commitment to attracting national talent and advancing Emiratization policies.

## Digital Transformation in 2024

The year 2024 represented a transformative milestone in the bank's digital transformation journey, as it advanced its digital strategy and introduced a series of innovative initiatives aimed at reshaping the banking experience. Demonstrating its commitment to operational excellence, the bank focused on enhancing customer experience by modernizing its technical infrastructure and increasing automation across its operations. The implementation of a Business Process Management (BPM) platform, coupled with a state-of-the-art document management system, significantly improved internal response times (TAT), achieving an impressive Service Level Agreement (SLA) rate of 99%. These advancements not only boosted productivity but also contributed to reducing operating costs, further solidifying the bank's efficiency and competitiveness.

As part of its efforts to drive digital integration, the bank established an API Gateway, a critical component in advancing its open banking capabilities. This initiative led to the development of 80 new interfaces, enabling seamless integration between various applications and systems. This enhanced digital interaction efficiency and created a reusable framework for future projects.

In alignment with its strategy to strengthen information security and ensure business continuity, the bank upgraded its data centers to enhance system resilience and mitigate risks associated with disaster recovery (DR). The implementation of an advanced disaster recovery management tool further ensured continuous monitoring and optimal system readiness. Additionally, 2024 saw a significant increase in the adoption of cloud computing technologies for critical applications, reflecting the bank's strategic focus on scalability, flexibility, and innovation.

Recognizing the pivotal role of human capital in driving digital transformation, the bank launched an advanced learning and development platform, supported by mobile tools that provide employees with the flexibility to enhance their skills at their convenience. In collaboration with the Emirates Institute of Finance, the bank also organized intensive training programs designed to equip employees with the digital and technical expertise required to meet future challenges and support the bank's evolving digital landscape.

## AI Masraf Outlook for 2025

Looking ahead, the bank's remarkable achievements in 2024 serve as a testament to its clear vision for a promising future, underpinned by strategic priorities, operational excellence, and an unwavering commitment to innovation and customer-centricity. As we move forward, we do so with optimism and determination, guided by our mission to continuously refine and enhance our business model and activities in alignment with the evolving needs of our customers and our overarching strategy for sustainable growth.

The thriving business environment in the UAE, coupled with the significant progress we have made over the past years, provides a strong foundation for our future endeavors. These accomplishments would not have been possible without the steadfast support of our loyal customers and the dedication of our talented employees, who remain at the heart of our success.





## Section 3: Corporate Governance

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# Corporate Governance Report



## Introduction

The Bank practices good governance with the belief to create long-term added value on a sustainable basis for all its shareholders and all interested parties through the commitment to the principles contained in the Governance Code. The Code builds good governance principles in all of the Bank's activities. Under governance, both the Board of Directors and the Bank's Management are committed to the principles set out in the Governance Code.

Both the Board of Directors and the Bank's Management act at the best interests of the Bank and its business. The Bank has a vision, mission and values of its own consistent with the principles and philosophy of governance. The Board of Directors adopted this and ensured that it is applied.

## AI Masraf Corporate Governance Framework

AI Masraf has adopted a robust Corporate Governance Framework in line with Central Bank of UAE Corporate Governance Regulations No. 83/2019 to support a resilient high performing and accountable culture to enable achievement of long term financial and growth. The governance framework is implemented across the Bank's entities to provide confidence to our stakeholders to continue investing in the institution. To promote collaboration and alignment, the governance framework is implemented by the Board, Board Committees, Executive Management, functional Internal Control and Compliance.

The Corporate Governance framework of AI Masraf is created on the principles of fair treatment for all stakeholders with the aim of providing a basis for an inclusive relationship between the Bank, its Board of Directors, Shareholders, Customers, Regulators and Employees throughout a set of systems, principles and processes by which the bank is directed and controlled for the long-term benefit of all Stakeholders.

Mainly our key principles of good governance are underpinned by Corporate Governance Code which ensures accountability, transparency, integrity and attention to the Bank's sustainable success and it serves as a guide for implementing and practicing good corporate governance.

Both the Board of Directors and the Bank's management are committed to the principles set out in the Code. The Bank's management acts as the guardian of the interests of all other parties dealing with the Bank or affected by its business.

## Transparency and Disclosure

The delivery of accurate information to our stakeholders represents an important priority of the Bank. For the sake of transparency, numerous reports are submitted and published by the Bank including financial and non-financial reports. The Board Audit Committee play a vital role in helping Al Masraf in achieving its objectives by enhancing the transparency in financial reporting process rather than only providing reasonable assurance with regard to compliance with rules and regulations and adopting financial standards and forwarding it to the Board and recommending appointing external auditors.

## Al Masraf's Board of Directors (BODs)

The Board of Directors have overall responsibility to manage and conduct the Bank's affairs, including adopting strategic objectives and overseeing the senior management under the corporate governance framework and Al Masraf Corporate Governance Code. Board of Directors primary responsibility is to provide effective governance over Al Masraf affairs for the benefit of its shareholders, and to balance the interests of its diverse constituencies, such as its customers, employees, suppliers under the framework of the work environment of Al Masraf.

The Board of Directors define appropriate governance structures and suitable practices for its own work and puts in place the means and mechanism for such practices to be followed and periodically reviewed for its ongoing effectiveness. The Board consist of 8 members as follows:

### 1. H.E. Farhat Omar Ben Gadara (Chairman)

H.E. Farhat Omar Ben Gadara is a seasoned financial professional with a wealth of experience and a strong record of leadership and achievement. His career in the financial industry is highlighted by a number of influential positions, including Chairman of Libya's National Oil Corporation and Chairman of Arab Bank for Investment & Foreign Trade (Al Masraf). In addition, he is a Chairman of Arab Banking Corporation International Bank in London, Vice Chairman of Unicredit Group, and Deputy Chairman of Arab Banking Corporation in Bahrain. He has also served as an Advisory Board Member for Standard Chartered Bank, and as Founder and Chairman of the Investment and Development Fund.

In addition to his work in the private sector, H.E. BenGadara has also held several important public positions, including Governor of the Central Bank of Libya, Member of the Oil and Gas Supreme Council, Member of the Supreme Planning Council, and Chairman of the African Central Bank Governors Association. Currently, he holds a Master's degree in Money, Banking and Finance from Sheffield University in the UK, as well as a BA in Economics from Benghazi University.

### 2. H.E. Mohamed Saif Al Suwaidi (Vice Chairman)

H.E. Mohamed Saif Al Suwaidi is the Director General of Abu Dhabi Fund for Development (ADFD), as has been appointed since 2008, in addition, H.E. Al Suwaidi is the Vice Chairman of the Arab Bank for Investment and Foreign Trade (Al Masraf). He serves as the Alternate Governor, representing the UAE, on the Board of Governors of the Asian Infrastructure Investment Bank (AIIB). Moreover, he also serves as a board member of many institutions such as the First Abu Dhabi Bank (post-merger), the Food Security Centre – Abu Dhabi, Al Jazira Sports and Cultural Club, UAE Red Crescent Authority, Agthia Group, Raysut Cement Company and Maroc Telecom, as well as many international institutions and entities.

H.E. Al Suwaidi holds a B.Sc. degree in Business Administration from California Baptist University, USA. He has also undertaken many intensive technical, administrative and leadership training programs.

### 3. Ms. Raja Mohammed Al Mazrouei (Board Member)

A multi-award-winning digital transformation leader with over 20 years of experience accentuating the next-gen wave of digital innovation. Specializing heavily on the intricacies of the financial and technology sectors, Ms. Raja holds a strong history involving cross-functional leadership, finance, and all things progressive - collectively steered by her passion for pioneering large-scale industry and UAE community reform. Furthermore, she is highly acclaimed for instilling innovative advancements here in the present, as well as positioning stakeholders for sustainable success as they navigate deeper into the ever-transient, digital future.

Ms. Raja holds multiple membership positions in various organizations. She is currently the Managing Director of Etihad Credit Insurance (ECI) also a Board Member of ECI. She is also a Board Member of Zand and has been serving in this position on a full-time basis. Additionally, she is a Member of the Board of Trustees for the Mohammed Bin Rashid School of Government (MBRSG). In 2019 Ms. Raja appointed as a Board Member of Al Masraf. Furthermore, she is a Board Member of the MENA and Central Asia Advisory Board for the Harvard Business School. She worked as a senior executive, former EVP of DIFC FinTech Hive. Here, Ms. Raja proactively networked with financial institutions, government entities, technology partners, Venture Capital/Funds, and entrepreneurs to spearhead the UAE's national innovation agenda. In addition, Ms. Raja's technical/financial acumen led to FinTech becoming a leading contributor to the UAE digital economy, the formation of 500+ FinTech, RegTech, and InsurTech startups that opened new doors for societal opportunities, and FinTech ranking as one of the World's best financial innovation labs under Global Finance Magazine.

From building winning mindsets, implementing scaling accelerations to diversely improving life quality via cutting-edge integrations, Ms. Raja enjoys leveraging larger-picture technology to secure viable outcomes across the board. This, in conjunction with her history of harvesting new 'status quo challenged' opportunities, and reputation for positioning UAE as an innovation destination, is what shaped Raja into an internationally recognized digital change agent – one who values people and process bridging and addresses every project with an ambition to create solutions that solidify mutually beneficial outcomes.

### 4. Mr. Khalaf Sultan Al Dhaheri (Board Member)

Mr. Khalaf Sultan Al Dhaheri is a prominent business leader in the United Arab Emirates, known for his extensive experience in serving on numerous boards. He is a board member at Arab Bank for Investment & Foreign Trade (Al Masraf). Recently, in June 2022, he was appointed an Independent Non-Executive Director at Amanat Holdings PJSC, the largest healthcare and education investment company in the GCC. Additionally, he is the Chairman of Abu Dhabi National Islamic Finance and of Abu Dhabi National Properties Co. He also sits on the boards of Abu Dhabi National Hotels, Dar Al Takaful PJSC and Islamic Development Bank.

Mr. Al Dhaheri previously served as the Chairman of Massar Solutions PJSC, a Board Member of Emirates Institution for Banking and Financial Studies, and an Audit Committee Member of Abu Dhabi National Oil Company. Mr. Al Dhaheri also held numerous executive roles including Group Chief Operating Officer at National Bank of Abu Dhabi and General Manager & Chief Risk Officer of First Abu Dhabi Bank PJSC.

Mr. Al Dhaheri holds a bachelor's degree in accounting from U.A.E. University and holds an MBA from Zayed University. He is also a Certified Public Accountant from the California Board of Accountancy and the American Institute of Certified Public Accountants in the USA and has an accredited certification from Ashridge – Hertfordshire (UK) in advanced management programs.

With his strong background in finance and management, Al Dhaheri has established himself as a leader in the UAE's business community and has made significant contributions to the growth and development of the country's economy.



## 5. Mr. Mustapha Makhoulf (Board Member)

Mr. Mustapha Makhoulf is a seasoned financial professional with a wealth of experience in international banking and finance. He holds a Higher Certificate of Education in Mathematics, a Bachelor of Economics Sciences from the University of Algiers, and a post-graduate degree in Economic Sciences with a focus on economics analysis. He also holds several accreditations and certifications in technical training, banking activities, and anti-money laundering.

Mustapha's professional journey began as a teacher of Physics and Natural Sciences, before he served his military service.

In 1988, he joined Banque Extérieure d'Algérie (BEA)

as a project manager and went on to serve in various capacities, including Area Manager for Europe and North America, Head of Department for International Banking Relations, and Manager of International Banking.

Throughout his career, Mr. Mustapha has received extensive training in banking and finance, participating in technical trainings, workshops, and seminars on anti-money laundering, international guarantees, international finance, and foreign trade. He has also gained international exposure through his active participation in business forums and meetings, representing BEA and promoting Algerian exports and business. Some of his notable international experiences include participation in conferences and exhibitions in Libya, Malaysia, France, Jordan, and South Korea.

## 6. Mr. Rahali Lahouri (Board Member)

Mr. Rahali Lahouri brings over 33 years of extensive experience in banking and financial management, with a career spanning multiple leadership roles across prominent financial institutions in Algeria. He is currently the Director General of the External Bank of Algeria, a position he has held since April 2024.

Mr. Rahali has served as Chairman of the Board of Directors of the External Bank of Algeria (2021–2023) and as Chairman and CEO of the National Bank of Algeria (2019). Prior to this, he held various executive roles at the Local Development Bank (BDL), including Deputy General Director (2012–2019), Secretary General (2008–2012), Director of International Relations and Foreign Trade (2001–2003), and Director of the Operations Network (1999–2001). Throughout these roles, he managed teams, oversaw credit structures and commercial operations, and contributed significantly to the digital transformation of banking operations.

He holds a Third Cycle Diploma of Specialized Studies in Banking from the Tunis Development Finance Institute and a Bachelor's Degree in Financial Economics from the Institute of Economic Sciences of Oran. Fluent in Arabic, French, and English, Mr. Rahali is recognized for his expertise in banking functions, operational management, and strategic leadership.

## 7. Mr. Mustafa El Manea (Board Member)

Mr. Mustafa El Manea is a highly accomplished corporate leader with an extensive experience in law, finance, and governance. He holds a Law degree from Garyounis University and has pursued advanced studies, obtaining an Arbitration certificate from Ain Shams University, a Communication certificate and a Certificate of qualification for leaders and managers from the United Kingdom. Additionally, Mr. El Manea has acquired diverse expertise through numerous training programs in risks, project management, rule of law, and planning.

With over two decades of legal expertise, Mr. El Manea has served in pivotal advisory roles, including as Advisor to the Governor of the Central Bank of Libya and Secretary of the National Transitional Council. His leadership extends to board memberships, where he has contributed significantly to organizations such as the Libyan Investment Corporation and the Libyan Foreign Bank.

Mr. El Manea's influence transcends borders, with active participation in international engagements, representing Libya in meetings with prestigious institutions like the United Nations, the International Monetary Fund and the World Bank. Furthermore, his involvement in initiatives such as the founding committee of the African Investment Bank and his advisory position to the Omani Sovereign Fund underscores his commitment to global economic development.

His corporate acumen, coupled with his legal prowess and dedication to advancing financial frameworks, makes Mr. Mustafa El Manea an invaluable asset in any corporate setting.

Mr. El Manea has been appointed as a Board Member at Arab Bank for Investment and Foreign Trade (Al Masraf) since 2023.

## 8. Mr. Ahmed Al Sharkasi (Board Member)

The Board Member, Mr. Ahmed Al Sharkasi, has been appointed at Arab Bank for investment and Foreign Trade (Al Masraf) since January 2022. He serves as the Secretary of the Prime Minister of the Council of Ministers of the Libyan Government of National Unity since 2021. Additionally, he is the head of the Future Foundation and a political advisor for general staff affairs. Moreover, he holds the position of executive director of Musharakah and Atismo Charity.

Mr. Ahmed Al Sharkasi holds a Master of Science degree from Britain and holds a Bachelor of Science degree from the University of Misrata.

## Role of Board of Directors

The Board of Directors are empowered, under Al Masraf's Article of Association (AoA) with the widest powers necessary to carry out the activities and functions required to fulfil the objectives of Al Masraf, which includes but not limited to:

1. Determining strategic goals of the Bank and guiding the Senior Management.
2. Supervising the Senior Management and follow up its performance and ensure the safety of the financial position of Al Masraf by adopting policies and adequate procedures to supervise and oversee the performance of Al Masraf.
3. Ensuring that the Bank manages risk effectively by approving Risk Appetite Statement and risk framework and monitor aggregate risk exposures that occurs to the Bank in its generality.
4. Ensuring implementation of disclosure policies and procedures that comply with regulatory requirements.
5. Appointing Chief Executive Officer of the Bank and his deputies and key members of Senior Management that includes organizing their selection process and their compensation, monitoring and overseeing succession planning.
6. Ensuring that the Bank has strong and well-articulated cyber security systems in place. The Board of Directors must learn about any related breaches or losses.
7. Establishing conflict of interest practices between the Board members and within Al Masraf in general.

## Board of Directors Obligations and Duties

The Board of Directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of Al Masraf and to comply with relevant laws, regulations, rules, and best practices. In discharging that obligation, the directors may rely on the honesty and integrity of Al Masraf's senior executives and its advisors and auditors.

The Board of Directors shall be responsible to ensure that the Management balances the promotion of long-term growth with the delivery of short-term goals. The BODs are the main body for making decisions within Al Masraf.



## Board of Directors Composition and Nomination

As per the Article of Association (AoA), the Bank shall be managed by a Board of Directors comprised of a minimum of eight Arab members, nominated by the Shareholders in accordance with the bank's Board Fit & Proper policy and appointed by the General Assembly after obtaining CB approval.

The term of membership in the Board is three years subject to renewal. The Board of directors shall elect from its members a Chairman and one or two deputies, one of whom shall substitute for the Chairman in his absence or in case of incapacity.

- **Frequency of Board Meetings**

The BODs shall meet at least 6 times yearly or whenever the need arises, and the agenda of the meeting with supporting documents shall be provided to the directors within sufficient time prior to the meeting date to provide ample time for review beforehand. Also, a director has the right to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting.

- **Decision Making within the Board**

Decisions of the Board shall be taken by vote of the majority of Board i.e. directors present. If votes are equal, the side, which the Chairman supports, shall prevail. The Board may take some decisions passing resolutions if all BODs agree that the case necessitates that due its urgency and the proposed resolutions are delivered to BODs in writing and accompanied by all necessary supporting information.

- **Conflict of Interest**

The BODs shall disclose any conflict of interest to the Board. Board members shall not use inside information to achieve personal gains for themselves or others. They shall also abstain from voting or even taking part in decision making process on any matter where they have an actual or potential conflict of interest. And it is not permitted for BODs to enter into any advisory relationship with Al Masraf.

- **Confidentiality**

The Board of Directors shall keep the entire Bank's information strictly confidential so as long as such information has not been made public. At the end of the term of their mandate, they must return all confidential documents to Al Masraf and destroy all electronic copies if directed to do so by Al Masraf and they remain legally responsible if any information is made public through them.

- **Board Gender Diversity**

In alignment with the expectations outlined in the CBUAE Corporate Governance Regulations, the Bank's Remuneration & Nomination Committee (RNC), through the Fit & Proper Policy approved by the Board of Directors, has acknowledged the importance of promoting gender diversity in Board nominations. Shareholders have been informed of the regulatory recommendation that at least 20% of candidates considered for Board membership be female.

As of 31 December 2024, the Board consists of eight members, including one female, representing 12.5% of the total composition. While the Bank recognizes the significance of Gender Diversity in Board representation, future nominations will take into account various factors, including but not limited to diversity considerations.

- **Difference between the Positions of the Chairman of the Board of Directors and the Chief Executive Officer**

The Chairman of the Board of Directors and the Chief Executive Officer has different kind of responsibilities, therefore, to prevent any conflict of interest and to preserve an effective supervision over the management: the positions should be occupied by two different individuals in application to the valuable principles of the Governance Code.

## Board Remuneration

As best practice of Corporate Governance Regulation, and based on the shareholders directive, it has been decided to distribute annual remuneration to the Board of Directors amounting to no more than 5% of the bank's annual profits.

## Board Activities Meetings

The Board met 7 times in 2024 and received information in between meetings on regular basis from the Board and Management Committees in relation to the Bank's business developments.

## Board Committees

The Board of Directors established Board Committees to assist the Board in carrying out its duties and obligations and offer a more detailed review of important areas of business control. The Board often delegate work to committees of directors to more effectively deal with complex or specialized issues and to use directors' time more efficiently. Committees make recommendations for action to Board of Directors, which retains collective responsibility for decision-making.

The Bank has 5 Board Committees as following:

1. Board Audit Committee (BAC)
2. Board Risk Committee (BRC)
3. Board Remuneration and Nomination Committee (RNC)
4. Board Steering Committee (BSC)
5. Board Compliance Committee (BCC)

The detailed scope and responsibility of the Bank's Board Committees as following:

### 1. Board Audit Committee (BAC)

The Board of Directors appoint the BAC for overseeing of the following:

The Board of Directors established the Audit Committee to assist in the oversight, monitoring and review of the following:

- The quality and integrity of financial statements and financial reporting process and the establishment or amendment of significant accounting policies and practices.
- Internal Audit activity, statutory audit process and external auditors, and other providers of assurance.
- The effectiveness of governance, risk management and internal control systems.
- Compliance with UAE Central Bank rules and Regulations
- Compliance with laws and regulations.
- Compliance with the Shari'ah in respect of Islamic Banking products and services.

The BAC approved Al Masraf's Risk-Based Annual Audit Plan, Internal Audit's Budget and Resource requirements, revision and updates of Internal Audit charter, Internal Audit performance & KPIs and the Internal Audit's policies and procedures aligning with International Standards and CBUAE Regulations related to Internal Audit.

The BAC met with the External Auditor periodically to discuss matters pertaining to Al Masraf's financial statements and financial reporting process including disclosures and the quantitative and qualitative aspects of Al Masraf's financial results. The BAC oversight the performance of the Statutory Auditors, their independence, materiality of issues and the re-appointment of the auditors.

## 2. Board Risk Committee (BRC)

The Board Risk Committee (BRC) is appointed by Board of Directors has the overall responsibility:

- a. Ensure effective and comprehensive Risk Management Functions and Organization within Al Masraf.
- b. Review and guide the Bank's Risk Appetite.
- c. Review the effectiveness and appropriateness of the Bank's Risk Management Framework.
- d. Ensure that Risk Management adopts best practices and follow regulatory stipulations.
- e. Supervise and monitor management of Shari'ah non-compliance risk, in consultation with Internal Shari'ah Supervision Committee (ISSC) and through the internal Shari'ah division.
- f. Establish the implementation of 3 Lines of Defense in line with Bank's objectives, and strategies.
- g. Oversee functioning of Management Risk Committee and Internal Shari'ah Supervision Committee.

## 3. Board Remuneration and Nomination Committee (RNC)

The Board of Directors appoint the RNC for overseeing of the followings:

The RNC considers matters relating to appointing the Senior Management and review their remunerations and performance including policy for Executive Management remuneration and their annual individual remuneration awards. The RNC also reviews succession plans for the Chief Executive Officer and other key Senior Management positions. The RNC approves and reviews strategic HR issues including employee retention, motivation and commitment and succession planning for senior management positions.

The Bank's Board of Directors (Board) has established the Board Nomination and Remuneration Committee (RNC) that provides oversight and endorses principal remuneration policy and decisions.

The Board delegates to the (RNC) matters relating to the appointment of senior management, including policy for senior management remuneration and their annual individual remuneration awards. Employees reporting to the CEO permanently as functional heads are classified as senior management.

The RNC also reviews succession plans for the Chief Executive Officer and other key Senior Management positions and approves and reviews strategic Human Resource issues, including employee retention, motivation, and commitment for senior management positions.

From a governance perspective, the RNC oversees the Bank's remuneration policies, ensuring that the policies are consistent with and promote sound and effective risk management and do not encourage excessive risk-taking. Compensation is linked to corporate, business, and individual performance objectives, including performance against metrics set by control functions, including risk.

## 4. Board Steering Committee (BSC)

The Board of Directors appoint the BSC for overseeing of the following:

The main purpose of the BSC is to assist the Board to expedite making the necessary decisions in accordance with the applicable laws, regulations and Bank's policies. The BSC consists of five members of the Board of Directors in addition to the CEO as an invitee.

## 5. Board Compliance Committee (BCC)

The Board of Directors has appointed the BCC for overseeing of the following:

- Setting the tone for compliance
- Endorsement of Compliance policies and procedures
- Oversight of compliance function
- Oversight of Compliance risk Self-assessments
- Review of compliance reports
- Escalation of significant compliance issues to the Board
- Oversight of Compliance training and awareness programs
- Review Audit Findings on Compliance
- Appointment of Chief Compliance officer
- Appointment of Independent Advisor for BCC

The BCC comprises of 2 members of the Board and one independent advisor in addition to the Chief Compliance Officer who is the secretary of the BCC.

## Board Committees Meetings

Committee	Member	Position	Frequency as per charter	Meetings held in 2024
Board Audit Committee (BAC)	Mustafa Almania	Chairperson	At least 6 times in a year	7
	Ahmed Alsharkasi	Member		
	Abdulqader Obaid Ali	Member, Independent Advisor		
Board Risk Committee (BRC)	Khalaf AIDhaheri	Chairperson	At least 4 times in a year	4
	Mustapha Makhoulf	Member		
	Rahali Lahouri	Member		
Board Remuneration and Nomination Committee (RNC)	Mohamed Al Suwaidi	Chairperson	At least 4 times in a year	4
	Mustapha Elmania	Member		
	Rahali Lahouri	Member		
Board Steering Committee (BSC)	Farhat Ben Gadara	Chairperson	Upon Request	2
	Raja Al Mazrouei	Member		
	Mohamed AlSuwaidi	Member		
	Khalaf AIDhaheri	Member		
	Mustapha Makhoulf	Member		
Board Compliance Committee (BCC)	Raja Al Mazrouei	Chairperson	At least 4 times in a year	4
	Ahmed Al Sharkasi	Member		
	Muhammed Kaissi	Member, Independent Advisor		

## Related Party Transactions

Al Masraf is following the requirements of relevant Central Bank Corporate Governance Regulation for Banks with respect to related party transactions. Related parties can include its Controlling Shareholders, Members of the Board and Senior Management (and their First-Degree Relatives) and person with control, joint control or significant influence over the Bank (and their First-Degree Relatives).

In the normal course of business, the Bank has various transactions with its related parties. Banking transactions are entered into with related parties on terms and conditions approved by either the Bank's management or the Board of Directors.

The volume of related party transactions, outstanding balances and related expenses and income for the year were as follows:

	Key management personnel		Others	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	AED'000	AED'000	AED'000	AED'000
<b>Balances</b>				
Loans and advances	1,903	5,884	1,432,795	385,759
Due from banks	-	-	16,694	19,241
Deposits	7,960	25,204	5,851,824	4,500,437
Due to banks	-	-	855,681	915,762
Commitments and contingencies	-	-	688,155	1,005,194
<b>Transactions</b>				
Board of Directors' expenses	16,731	16,687	-	-
Salaries and benefits	12,529	14,599	-	-
Post-employment benefits	1,037	1,489	-	-
Interest income	338	586	74,266	20,126
Interest expense	458	328	231,561	171,031
Fee and commission	1,882	-	7,655	7,837
Other operating expenses	-	-	-	-
Dividends paid	-	-	-	60,000

Included within others above are balances and transactions with the Bank's shareholders and parties related to them.

## Senior Management Compensation

For the year 2024, total remuneration for Senior Management amounted to AED 13.359 million. Total remuneration is comprised of fixed pay (including employer pension contributions and accrued post-employment benefits) and variable compensation awarded in the year 2024.

For further details of remuneration policy, and the design and structure of remuneration processes, please refer to the Pillar 3 report.



# Management Committees

The Management Committees have ultimate responsibility for directing the activity of Al Masraf ensuring it is well run and delivering the outcomes for which it has been set up where the Bank has the following Committees:

1. Management Credit Committee
2. Technology & Transformation Committee
3. Management Risk Committee
4. ALCO and Investment Committee
5. Credit Monitoring Committee
6. Procurement Committee
7. Provisioning Committee
8. Human Resource Committee
9. Compliance Committee
10. Model Oversight Committee
11. Management Committee

The scope and purpose of each of the Management Committees as follows:

## 1. Management Credit Committee (MCC)

The purpose of the Management Credit Committee (MCC) is to ensure that quality of financing meets the Bank's Risk-and-Return Strategy and Policies.

- Management of the Bank's credit exposures.
- Establish a collective Credit approval process at Management level.
- Competitive speed of decision-making.
- Timely response to urgent needs of the customers.
- Monitor performance and quality of Bank's Credit portfolio.
- Review overall credit portfolios through various Credit/Risk reports.
- Ensure compliance with Central Bank of the UAE (CBUAE) and other regulatory guidelines with regard to asset quality and classification.

## 2. Technology & Transformation Committee

The Technology & Transformation Committee is constituted to review and evaluate all digital, technology and transformation initiatives, with a view to recommend the most beneficial ones to achieve organization goals and objectives and to maintain oversight and provide direction on all the initiatives related to business, digital information technology.

## 3. Management Risk Committee (MRC)

The Management Risk Committee shall be formed to assist the Board Risk Committee (BRC) in its oversight of current and future risk exposures, review the Bank's Risk Appetite and risk profile in relation to capital, liquidity and other material risks, review the effectiveness of the Bank's risk management framework including risk governance, policies, models, systems, key process and controls, and other regulatory requirements.

It also includes assessing risks and making action plans related to:

- a. Risks arising from businesses of the Bank and related control processes.
- b. Comprehensive Risk Management and organization within the Bank.
- c. Follow best practices in Risk Management and regulatory risk stipulations.

## 4. ALCO and Investment Committee (ALCO & IC)

The Asset/Liability Committee (ALCO) is a management committee that was established by the Board of Directors of Arab Bank for Investment & Foreign Trade (Al Masraf) to articulate the framework that the bank's ALCO will operate within its limits and will assist the Board of Directors by assessing the adequacy and monitoring the implementation, of the Bank's Asset / Liability Management Policy and related procedures to.

- Interest rate risk,
- Market/investment risk,
- Liquidity risk,
- Funds transfer pricing, and
- Contingency funding plan.

The purpose of Investment Committee (IC) is to:

- To make Investment Decisions as per the Board approved Risk Limits.
- To review the Investment Portfolio.
- To take BUY/SELL Decisions for Individual Investments.

## 5. Credit Monitoring Committee (CMC)

The purpose of Credit Monitoring Committee (CMC) is to:

- To continually review disbursed credit cases / portfolio to detect changes in its quality as well as control environment by coordinating the information flow, arriving at mitigants vis-à-vis any adverse developments and follow-up of action plan.
- Establish a collective Review process at Management level, reviewing overall credit portfolio through various Credit Risk Monitoring tailored reports & assess performance and quality. Detecting Bank's credit weakened assets. Close monitoring and speedy decisions to either rectify weakness or increase coverage vis-à-vis increased risk. Ensuring compliance with Central Bank of the UAE (CBUAE) and other regulatory guidelines regarding asset quality and classification. Coordinating Bank's response to CBUAE, External Audit, or consultants.

## 6. Procurement Committee

The Procurement Committee is constituted to review and evaluate the purchasing process with a view to recommend the most appropriate supplier or service provider based on price, quality, local support and competence profile of the vendor, stock availability, reference, etc.

## 7. Provisioning Committee

The purpose of Provisioning Committee is to re-instated at the management level as directed by the Board of Directors to give them assurance on adequacy and required / projected credit provisions as calculated at the level of management. The committee reviews individual corporate accounts post CMC / Quarterly provisions exercise coordinated by Credit & Risk.

## 8. Human Resource Committee (HRC)

The Human Resource Committee (HRC) is responsible for reviewing and recommending HR policies and practices related to Emiratization, manpower planning, succession planning to the Board Remuneration & Nomination Committee (RNC) and the Board of Directors. It shall also review and decide on matters including but not limited to, grievances concerning disciplinary actions applied on staff and report its recommendations to the RNC.

## 9. Compliance Committee

The Compliance Committee is responsible for overseeing the compliance program of the Bank and ensuring that the Bank is in compliance with applicable laws and regulations. The Committee is also responsible for reviewing and recommending changes to the compliance program to improve its effectiveness.

The purpose of the Compliance Committee is to provide oversight of the Bank's compliance program, which is designed to ensure that the Bank operates in accordance with applicable laws, regulations, and internal policies. The Committee is responsible for reviewing and monitoring the effectiveness of the compliance program, identifying areas for improvement, and recommending changes to senior management and the Board of Directors.

The scope of the Compliance Committee's responsibilities includes all aspects of the Bank's compliance program, such as:

1. **Regulatory Compliance:** The Committee is responsible for ensuring that the Bank complies with all applicable laws and regulations, including those related to financial reporting, data privacy, anti-corruption, and other areas of regulatory compliance.
2. **Internal Policies and Procedures:** The Committee is responsible for reviewing and approving the Bank's internal policies and procedures related to compliance, such as the Code of Conduct, whistleblowing policies, and other related policies.
3. **Compliance Training:** The Committee is responsible for ensuring that the Bank's employees receive appropriate compliance training, and for reviewing and approving the content of compliance training programs.

4. **Compliance/AML/Fraud Prevention Risk Self-Assessments:** The Committee is responsible for reviewing and approving Risk Self-assessments, which may be conducted by internal or external auditors, to assess the effectiveness of the Bank's compliance program.
5. **Compliance Incident Management:** The Committee is responsible for reviewing and approving the Bank's responses to compliance-related incidents and issues, such as potential violations of law or Bank policies, and for recommending appropriate disciplinary action.
6. **Reporting and Communication:** The Committee is responsible for reporting to senior management and the Board of Directors on compliance matters, and for ensuring that the Bank has effective communication channels in place to report and respond to compliance-related issues.

Overall, the purpose and scope of the Compliance Committee is to provide independent oversight and guidance on the Bank's compliance program, and to ensure that the Bank operates with integrity and in compliance with all applicable laws and regulations.

## 10. Model Oversight Committee (MOC)

The Model Oversight Committee (MOC) shall be formed to assist the Management/Board Level Committee and Board in its oversight of the model risk management and of the various decisions taken during the lifecycle of the models. The Model Oversight Committee shall ensure that the Bank meets the requirements articulated in the CBUAE's Model Management Standards.

The MOC's main objective is to optimize the ability of models to support decision-making throughout the Bank, covering all model types.

## 11. Management Committee (MANCOM)

The Management Committee (MANCOM) considers strategies and policies relevant to business development and to attain the desired market position and any other matter pertinent in the day-to-day operations of the Bank.

# Internal Control

Al Masraf has implemented the Three Lines of Defense Model which is an important part of the internal control framework of the Bank, and it defines the relationship between a bank's business units, the control functions, the support functions and the internal audit function comprises the three lines of defense model.

The business units (front office, client-facing activity) are the first line of defense. The first line undertakes risks within assigned limits of risk exposure and are responsible for identifying, assessing and controlling the risks of their own business operations. They are also responsible for maintaining effective risk controls and internal systems within their operational processes and procedures.

The second line of defense includes the control functions, comprising of mainly Risk Management and Compliance functions. The second line of defense may include other support functions, such as legal, human resources, finance, operations, technology and credit. Each of the above functions provides different types of guidance and oversight, roles and responsibilities to support the first line of defense in managing and mitigating the Bank's risks.

The third line of defense is the Internal Audit function that independently assesses the effectiveness of the processes created in the first and second lines of defense and provides assurance on these processes.

## Internal Audit

As the third line of defense, Internal Audit Department independently (i) Evaluates the effectiveness and efficiency of internal control, risk management, and compliance systems; (ii) Reliability and integrity of management information

systems and processes; (iii) Compliance with laws, regulations, standards, and the instructions of the Central Bank; and (iv) Safeguarding of assets.

Internal Audit Department reports functionally to the Board Audit Committee & administratively to the CEO. Internal Audit charter is approved by Board Audit Committee and defines internal audit responsibilities, authority and reporting lines, and the Internal Audit has full, free and unrestricted access to all functions, records, property, and personnel.

Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve Al Masraf's operations. Internal Audit applies a comprehensive risk-based approach covering Al Masraf functions & processes in line with CBUAE regulations and the Global Internal Audit Standards by the Institute of Internal Auditors (IIA).

## Compliance

The Compliance function at Al Masraf is independent and has unrestricted access to Senior Management, Board as well as all necessary information. Al Masraf has a comprehensive Compliance & AML policy in place. It has a well-defined process for performing ongoing and periodic due diligence on qualifying new and existing customers as per risk-based approach.

In line with international standards, Compliance department arranges periodic trainings, which is mandatory for all bank staff to attend. Internal and external examiners, as well as assessors have independently validated adequacy of Al Masraf's compliance function.

## Risk Management

The risk governance framework aims at providing the guidance framework to identify, assess, monitor, mitigate or control key material risks. The framework includes policies, processes, procedures, systems, and controls to identify, measure, evaluate, monitor, report and control or mitigate material sources of risk on timely manner. The risk governance structure for the Bank is mainly driven from the CBUAE Risk Management Regulations and is approved by the Board.

Board and Management level Committees have directed certain functions to play a key role in the risk management, these are usually Risk Management, Compliance & Internal Audit Functions.

Chief Risk officer (CRO) is the head of the department, and reports to BRC, and administratively reports to CEO. RMD is a second Line of Defence function, independent of the management and decision-making of the Bank's risk-taking functions and primarily responsible to provide credible challenge and oversight on material risks in the Bank.

## Legal Department

The Legal Department provides exemplary support to the Bank by mitigating legal risks that could impact the business and protect it from financial and reputational losses. It plays a key role in managing the Bank's legal affairs, addressing legal risks, and providing assistance both before and after disputes. Additionally, the department contributes to corporate governance by advising on relevant legal and regulatory complexities. Its responsibilities include, but are not limited to, offering legal advice, reviewing and drafting documents and contracts, and managing lawsuits both filed by and against the Bank, all while safeguarding the Bank's interests.

## Shari'ah Compliance – Islamic Products and Services

Al Masraf shall strictly adhere to Shari'ah regulations and principles as set out in the decisions issued by Higher Shari'ah Authority (HSA) of the UAE of Central Bank and Shari'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and as interpreted of Internal Shari'ah Supervision Committee's (ISSC) fatwa, and its directions and advice, in respect of all products and services offered by Islamic window.

## Contributions for the Community

### The Big HIKE

Al Masraf demonstrated its commitment to employee well-being and social responsibility in 2024 by organizing a large-scale hiking event in the scenic Al Rabi Mountain, Khorfakkan. This initiative, a significant undertaking by the bank, aimed to encourage employees to prioritize their health and wellness. The challenging yet rewarding hike provided an opportunity for team building outside of the traditional work environment.

This event aligns perfectly with Al Masraf's robust Corporate Social Responsibility (CSR) framework, which emphasizes the importance of investing in its employees' holistic well-being. By promoting physical activity and a healthy lifestyle, Al Masraf recognizes the direct correlation between employee well-being and productivity. The choice of Al Rabi Mountain, with its breathtaking views, further underscored the bank's dedication to providing a unique and memorable experience for its staff. This initiative reflects Al Masraf's understanding that a healthy and engaged workforce is crucial to its continued success.



## Breast Cancer

Al Masraf demonstrated its commitment to employee well-being and social responsibility by hosting a breast cancer awareness event in 2024. This initiative, aligned with Al Masraf's broader CSR framework, underscored the bank's dedication to promoting health and wellness within its workforce. The event served as a platform to educate employees about the importance of early detection and preventative measures related to breast cancer. By fostering open dialogue and providing valuable resources, Al Masraf aimed to empower its employees to prioritize their health. This event reflects the bank's understanding that a healthy workforce is a productive workforce, and that supporting employee well-being is integral to its overall success. The initiative also highlighted Al Masraf's commitment to contributing to a healthier community, demonstrating that its social responsibility extends beyond its core business operations. This proactive approach to employee health reinforces Al Masraf's position as a responsible and caring employer.



## Blood Donation Campaign for Al Masraf Employees

Al Masraf demonstrated its commitment to social responsibility by organizing a blood donation drive for its employees. This initiative provided a convenient opportunity for staff to contribute to a vital community need. By encouraging employee participation, Al Masraf fostered a culture of giving back and demonstrated its belief in the power of collective action. This event highlights the bank's understanding of its role within the community and its commitment to making a positive impact beyond its financial services. The initiative not only benefited those in need of blood transfusions but also raised awareness among employees about the importance of regular blood donation creating a healthier and more supportive community.



## The International Day of Charity

Small acts, big impact. This philosophy guided Al Masraf's observance of the International Day of Charity, as employees embraced the opportunity to give back to the community. Recognizing the power of collective action, Al Masraf encouraged its staff to participate in various charitable initiatives, fostering a spirit of generosity and social responsibility. The bank believes that even small contributions can have a significant positive impact on the lives of others.



## Financial Future Fridays

Al Masraf's "Financial Future Fridays" delivers essential financial education through social media. This initiative, aligned with the Central Bank of the UAE's Consumer Education Awareness Strategy, focuses on improving customer financial literacy. Simple, accessible content is shared weekly, empowering individuals to make informed financial decisions. The program highlights Al Masraf's commitment to responsible banking and community support, providing practical knowledge for a secure financial future.

## AI Masraf Invests in Employee Well-being

AI Masraf demonstrated its commitment to employee well-being by hosting a comprehensive Wellness Day. Recognizing that a healthy workforce is a productive workforce, the bank organized an event focused on empowering employees to prioritize their health. A specialist was brought in to provide valuable advice on a range of topics, from preventative measures to cultivating a sustainable healthy lifestyle. Employees gained insights into crucial health precautions, enabling them to make informed choices about their well-being. The Wellness Day offered a platform for open discussion and practical guidance, equipping employees with the knowledge and tools to maintain optimal health. This initiative reflects AI Masraf's understanding that investing in employee wellness is not only beneficial for individuals but also contributes to the overall success of the organization. By prioritizing health and wellness, AI Masraf reinforces its commitment to its employees' well-being and fosters a positive and supportive work environment.



## Dubai Police Community Awareness Initiatives

- Survey about the feeling of safety in Dubai
- Summer without accidents
- Safeguard your family from drug addiction
- Police eyes
- A day without accidents
- Safe road for everyone
- Dubai police volunteering platform



## Emirati Women's Day

Al Masraf celebrated Emirati Women's Day, reinforcing its commitment to women's empowerment as part of its CSR framework. The event featured H.E. Raja Mohammed AlMazrouei, a member of Al Masraf's Board of Directors, who shared her inspiring journey of success and growth in the financial and technology sectors. H.E. AlMazrouei offered valuable insights and advice to Emirati women, focusing on strategies for career advancement and continued professional development. The event served as a platform to recognize the significant contributions of Emirati women and encourage their further growth across diverse fields. Al Masraf's celebration reflects its dedication to fostering an inclusive environment where women are empowered to achieve their full potential. This commitment aligns with the bank's broader social responsibility goals and contributes to the advancement of women in the UAE.



## Al Masraf Employee Competes Among World's Best at T100 Dubai

Al Masraf proudly supported employee athlete participation in T100 from our Internal Audit Department who represented the bank at the prestigious T100 Dubai. Competing alongside the world's top triathletes securing an impressive 46th-place finish out of 2,000 participants. This historic event, held for the first time in the Middle East, showcased the dedication and athleticism of our team. Al Masraf is honored and dedicated to support the employees in their personal and professional pursuits.

## Environmental, Social, and Governance (ESG) Report

Al Masraf is dedicated to embedding Environmental, Social, and Governance (ESG) principles into its corporate framework as part of a long-term strategy to drive sustainable growth. Aligned with global best practices, the Global Reporting Initiative (GRI) standards, and the United Nations Sustainable Development Goals (SDGs), the bank has embarked on a structured ESG journey to enhance transparency, integrate responsible business practices, and strengthen its governance framework.

A key pillar of this transformation is the development of a structured ESG reporting framework, ensuring accountability and alignment with evolving regulatory requirements. This approach enables the bank to identify and implement key sustainability initiatives, reinforcing its commitment to ethical governance and responsible banking.

As part of this ongoing evolution, Al Masraf is actively evaluating opportunities to reduce its environmental footprint, optimize resource efficiency, and implement sustainable banking practices. The bank is committed to redefining operational processes and leveraging innovative sustainability solutions to integrate ESG considerations into business decision-making at every level.

By embedding ESG principles into its operations, Al Masraf seeks to strengthen its corporate governance framework, enhance stakeholder trust, and drive long-term value creation—ensuring that sustainability remains at the core of its business strategy.



# Annual Report of the Internal Shari'ah Supervision Committee of Arab Bank for Investment and Foreign Trade (Islamic Banking Services)

Issued on: January 23, 2025

## To: Shareholders of Arab Bank for Investment and Foreign Trade ("the Institution")

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the Internal Shari'ah Supervision Committee of the Institution ("ISSC") presents to you the ISSC's Annual Report regarding Shari'ah compliant businesses and operations of the Institution for the financial year ending on 31 December 2024 ("Financial Year").

### 1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

- a. undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders (Institution's Activities) and issue Shari'ah resolutions in this regard, and
- b. determine Shari'ah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'ah.

The senior management is responsible for compliance of the Institution with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah") in all Institution's Activities, and the Board bears the ultimate responsibility in this regard.

### 2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the decisions, fatwas, regulations and standards issued by the Higher Shari'ah Authority (HSA) and the circulars and decisions issued by the Central Bank of the UAE as well as Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

### 3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shari'ah supervision of the Institution's activities by reviewing those activities, and monitoring them through the Internal Shari'ah Control Department, Internal Shari'ah Audit Department, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

- a. Convening (4) meetings during the year.
- b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.

- c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
- d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
- e. Supervision through the Internal Shari'ah Control Department, Internal Shari'ah Audit Department of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- f. Providing guidance to relevant parties in the Institution to rectify (where possible) incidents cited in the reports prepared by Internal Shari'ah Control Department, Internal Shari'ah Audit Department, and/or external Shari'ah audit and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
- g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
- h. Specifying the amount of Zakat due on each share of the Institution.
- i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'ah.

#### 4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

#### 5. The ISSC's Opinion on the Shari'ah Compliance Status of the Institution

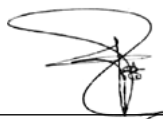
Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

**The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.**

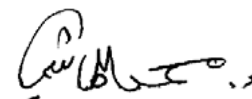
Signatures of members of the Internal Shari'ah Supervision Committee of the Institution:



**Prof. Jassim Ali Salem Al Shamsi**  
Chairman of the Committee  
Executive Member



**Dr. Ali Husain Ali Al Junaidi**  
Member of the Committee



**Dr. Mohammed Ahmed Al Hashmi**  
Member of the Committee



## **Section 4: Board of Directors' Report and Financial Statements**



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# Board of Directors' Report

For the year ended 31 December 2024

## Respected shareholders,

The Board is pleased to present its report together with the audited financial statements Arab Bank for Investment and Foreign Trade PJSC (the "Bank") for the year ended 31 December 2024. The audited financial statements have been prepared in accordance with IFRS Accounting Standards and the independent auditors have issued an unmodified audit opinion.

## Financial highlights

As of 31 December 2024, the total assets stood at AED 24,652 million (2023: AED 21,766 million), an increase of 13% driven largely by an increase in the investment portfolio.

The Bank's net profit for the year 2024 increased by 22% to AED 231.3 million compared to net profit of AED 189.4 million reported in previous year.

## Loans and advances

The net loans and advances at AED 13,034 million as at 31 December 2024 increased as compared to AED 12,901 million as at 31 December 2023 as the Bank continued to de-risk and selectively book new business.

## Funding

In line with growth in the balance sheet, Customers' deposits increased to AED 16,960 million as at 31 December 2024 from AED 14,750 million as at 31 December 2023. As part of the active balance sheet management, the inter-bank borrowings increased to AED 2,070 million from AED 2,042 million in the previous year.

## Balances with central bank & due from banks

The Bank's liquidity was well maintained, with sizeable portfolio in short-term interbank placements and balances with the Central Bank.

The balances with the Central Bank, which also includes the statutory reserves was at AED 2,348 million as at 31 December 2024 against AED 2,532 million in the previous year. The placements with banks is AED 1,167 million as at 31 December 2024 compared to AED 1,318 million as at 31 December 2023.

The Bank continued to be in compliance with the Central Bank of UAE ("CBUAE") Regulatory norms on Liquidity.

# Board of Directors' Report

For the year ended 31 December 2024

## Investments

The Bank's financial investments comprises mainly of fixed income securities measured at fair value or at amortized cost. The total value of the investment portfolio of the Bank amounted to AED 6,593 million as at 31 December 2024 compared to AED 3,836 million as at 31 December 2023. The increase was attributable mainly to increase in investments at FVOCI by AED 2,466 million and increase in investments at FVTPL by AED 289 million.

## Investment properties

The investment properties were revalued during the year by an external valuation firm. During the year, the Bank disposed of certain properties which resulted in the decrease of investment properties from AED 168 million as at 31 December 2023 to AED 149 million as at 31 December 2024.

## Contingent liabilities

The Bank had a total outstanding in Documentary Credits and Letters of Guarantee of AED 4,627 million as at the end of the year, compared to AED 4,601 million in the previous year.

# Independent auditor's report to the shareholders of Arab Bank for Investment and Foreign Trade PJSC

## 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 Arab Bank for Investment and Foreign Trade PJSC (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.

### Material accounting policy information and other explanatory information

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss for the year then ended
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include 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.

### Other information

The directors are responsible for the other information. The other information comprises the annual report of the Bank (but does not include the financial statements and our auditor's report thereon). We obtained the Directors' report to the shareholders prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date.

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

## Independent auditor's report to the shareholders of Arab Bank for Investment and Foreign Trade PJSC

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

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

When we read the remaining information of the annual report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Directors and those charged with governance for the financial statements

The Directors are 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 Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are 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 the Directors either intend 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 judgment 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.

## Independent auditor's report to the shareholders of Arab Bank for Investment and Foreign Trade PJSC

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

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

### Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

- (i) we have obtained all the information we considered necessary for the purposes of our audit;
- (ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- (iii) the Bank has maintained proper books of account;
- (iv) the financial information included in the Directors' report to the shareholders is consistent with the books of account of the Bank;
- (v) as disclosed in note 9, 10 & 11 to the financial statements the Bank has purchased or invested in shares during the year ended 31 December 2024;
- (vi) note 33 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

## Independent auditor's report to the shareholders of Arab Bank for Investment and Foreign Trade PJSC

- (vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, or in respect of the Bank, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and.
- (viii) Note 36 to the financial statements discloses the social contributions made during the year ended 31 December 2024.

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

PricewaterhouseCoopers Limited Partnership - Abu Dhabi  
28 March 2025



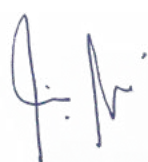
**Jigesh Ashokkumar Shah**  
Registered Auditor Number 5621  
Place: Abu Dhabi, United Arab Emirates

# Statement of Financial Position

As at 31 December

	Note	2024 AED'000	2023 AED'000
<b>Assets</b>			
Cash and balances with the Central Bank of the UAE	7	2,348,447	2,532,001
Due from banks	8	1,167,185	1,317,798
Acceptances		808,684	477,267
Investments at fair value through other comprehensive income (FVOCI)	9	5,541,493	3,075,277
Investments at fair value through profit or loss (FVTPL)	10	644,362	355,638
Investments at amortised cost	11	406,792	405,376
Other assets	14	239,837	227,753
Loans and advances	12	13,033,697	12,900,588
Fair value of derivatives		552	-
Investment properties	13	149,223	167,839
Deferred tax asset	39	7,535	-
Intangible assets	15	45,580	52,724
Property and equipment	15	246,040	241,563
		<b>24,639,427</b>	<b>21,753,824</b>
Asset held-for-sale	16	12,679	12,042
<b>Total assets</b>		<b>24,652,106</b>	<b>21,765,866</b>
<b>Liabilities</b>			
Customers' deposits	17	16,960,211	14,750,019
Due to banks	18	2,070,307	2,042,547
Acceptances		808,684	477,267
Other liabilities	19	688,940	552,680
<b>Total liabilities</b>		<b>20,528,142</b>	<b>17,822,513</b>
<b>Equity</b>			
Share capital	20 (a)	2,000,000	2,000,000
Statutory reserve	20 (b)	711,244	688,113
Special reserve	20 (c)	706,654	683,523
Revaluation reserve	20 (d)	163,603	138,522
Fair value reserve	20 (e)	(142,215)	(66,029)
Cash flow hedge reserve	20 (h)	552	-
Retained earnings		684,126	499,224
<b>Net equity</b>		<b>4,123,964</b>	<b>3,943,353</b>
<b>Total liabilities and equity</b>		<b>24,652,106</b>	<b>21,765,866</b>

These financial statements were authorised and approved for issue by the Board of Directors on 28 March 2025 and signed on their behalf by:



**Farhat Omar Ben Gadara**  
Chairman



**Masood Al Majedi**  
Acting Chief Executive Officer



**Safeya Almarzooqi**  
Acting Chief Executive Officer

The notes on pages 79 to 116 form an integral part of these financial statements.  
The independent auditor's report on these financial statements is set out on pages 70 to 73.

## Statement of Profit or Loss

For the year ended 31 December

	Note	2024 AED'000	2023 AED'000
Interest income	21	1,133,061	1,079,637
Interest expense	22	(460,293)	(416,538)
<b>Net interest income</b>		<b>672,768</b>	663,099
Income from Islamic financing contracts	23	115,704	106,213
Depositors' share of profit	24	(63,612)	(66,954)
<b>Net income from Islamic financing</b>		<b>52,092</b>	39,259
<b>Net interest and Islamic financing income</b>		<b>724,860</b>	702,358
Fee and commission income	25	133,965	140,728
Fee and commission expense	25	(14,340)	(17,900)
<b>Net fee and commission income</b>		<b>119,625</b>	122,828
Net investment income		39,440	15,720
Net foreign exchange gain	26	44,991	51,679
Other operating income	27	18,868	12,295
<b>Net other operating income</b>		<b>103,299</b>	79,694
<b>Operating income</b>		<b>947,784</b>	904,880
General, administration and other operating expenses	28	(337,471)	(319,755)
<b>Profit before net impairment charge</b>		<b>610,313</b>	585,125
Net impairment charge on financial assets	29	(388,473)	(413,022)
Net impairment reversal on properties	30	32,465	17,312
<b>Profit for the period before taxation</b>		<b>254,305</b>	189,415
Taxation charge	39	(22,992)	-
<b>Net profit for the year</b>		<b>231,313</b>	189,415

The notes on pages 79 to 116 form an integral part of these financial statements.  
The independent auditor's report on these financial statements is set out on pages 70 to 73.

# Statement of other Comprehensive Income

For the year ended 31 December

	Note	2024 AED'000	2023 AED'000
<b>Net profit for the year</b>		<b>231,313</b>	189,415
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Revaluation gain on property and equipment	15	<b>25,430</b>	9,550
Amount transferred on disposal		<b>(349)</b>	-
Change in fair value of equity investments at FVOCI		-	-
Actuarial losses on defined benefit obligation		<b>(149)</b>	(3,432)
<b>Item that may be reclassified subsequently to profit or loss</b>			
Change in fair value of debt investments at FVOCI		<b>(83,721)</b>	46,107
Deferred tax credit related to the above	39	<b>7,535</b>	-
Cash flow hedge reserve		<b>552</b>	-
<b>Other comprehensive (loss) / gain for the year</b>		<b>(50,702)</b>	52,225
<b>Total comprehensive gain for the year attributable to shareholders</b>		<b>180,611</b>	241,640
<b>Earnings per share</b>	35	<b>2.31</b>	1.89

The notes on pages 79 to 116 form an integral part of these financial statements.

The independent auditor's report on these financial statements is set out on pages 70 to 73.

# Statement of Changes in Equity

For the year ended 31 December

	Share capital	Statutory reserve	Special reserve	Cash flow hedge reserve	General reserve	Revaluation reserve	Fair value reserve	Retained earnings	Net equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2023	1,500,000	669,172	664,582	-	380,000	128,972	(112,136)	531,565	3,762,155
Profit for the year	-	-	-	-	-	-	-	189,415	189,415
Other comprehensive gain/ (loss)	-	-	-	-	-	9,550	46,107	(3,432)	52,225
Transfer to statutory reserve and special reserve (Note 20)	-	18,941	18,941	-	-	-	-	(37,882)	-
<b>Total comprehensive income for the year</b>	-	18,941	18,941	-	-	9,550	46,107	148,101	241,640
Issue of bonus shares (Note 20)	500,000	-	-	-	(380,000)	-	-	(120,000)	-
Dividends paid to equity holders (Note 20)	-	-	-	-	-	-	-	(60,000)	(60,000)
Zakat	-	-	-	-	-	-	-	(442)	(442)
<b>Balance at 31 December 2023</b>	<b>2,000,000</b>	<b>688,113</b>	<b>683,523</b>	<b>-</b>	<b>-</b>	<b>138,522</b>	<b>(66,029)</b>	<b>499,224</b>	<b>3,943,353</b>
Balance at 1 January 2024	2,000,000	688,113	683,523	-	-	138,522	(66,029)	499,224	3,943,353
Profit for the year	-	-	-	-	-	-	-	231,313	231,313
Other comprehensive income / (loss)	-	-	-	552	-	25,430	(76,186)	(149)	(50,353)
Amount transferred on disposal	-	-	-	-	-	(349)	-	-	(349)
Transfer to statutory reserve and special reserve (Note 20)	-	23,131	23,131	-	-	-	-	(46,262)	-
<b>Total comprehensive income/ (loss) for the year</b>	<b>-</b>	<b>23,131</b>	<b>23,131</b>	<b>552</b>	<b>-</b>	<b>25,081</b>	<b>(76,186)</b>	<b>184,902</b>	<b>180,611</b>
Issue of bonus shares (Note 20)	-	-	-	-	-	-	-	-	-
Dividends paid to equity holders (Note 20)	-	-	-	-	-	-	-	-	-
Zakat	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2024</b>	<b>2,000,000</b>	<b>711,244</b>	<b>706,654</b>	<b>552</b>	<b>-</b>	<b>163,603</b>	<b>(142,215)</b>	<b>684,126</b>	<b>4,123,964</b>

The notes on pages 79 to 116 form an integral part of these financial statements.

The independent auditor's report on these financial statements is set out on pages 70 to 73.

# Statement of Cash Flows

For the year ended 31 December

	Note	2024 AED'000	2023 AED'000
<b>Operating activities</b>			
Profit for the year		231,313	189,415
<b>Adjustments for:</b>			
Depreciation on investment properties	13	10,662	10,662
Amortisation of intangible asset	15	14,850	13,865
Depreciation on property and equipment	15	12,216	10,240
Net impairment charge on financial assets	29	388,473	413,022
Amortisation of premium on bonds		(4,398)	18,032
Corporate tax	39	22,992	-
Impairment reversal on properties	30	(31,828)	(17,403)
Fair value loss on properties	30	(637)	91
Gain on sale of FVOCI debt securities		(7,388)	(7,688)
MTM gain on Mutual Funds		(40,786)	(15,129)
Gain on sale of investment properties		(3,339)	-
Gain on sale of property and equipment		(5,163)	-
Provision for employees' end of service benefits	19	6,293	5,898
<b>Operating cash flows before payment of employees' end of service benefits and changes in working capital</b>		<b>593,260</b>	<b>621,005</b>
Payment of employees' end of service benefits	19	(4,936)	(11,685)
<b>Changes in:</b>			
Loans and advances		(528,974)	159,856
Due from banks		-	202,015
Acceptances – Assets		(331,416)	(95,903)
Other assets		(12,635)	(17,600)
Customers' deposits		2,210,192	620,290
Due to banks		27,760	250,572
Acceptances – Liabilities		331,416	95,903
Other liabilities		125,095	(12,719)
Cash reserve with Central Bank of the UAE	31	(117,091)	(483,355)
<b>Net cash outflow from operating activities</b>		<b>2,292,671</b>	<b>1,328,379</b>
<b>Investing activities</b>			
Purchases of property and equipment	15	(19,727)	(26,341)
Proceeds from sale of property and equipment	15	25,920	-
Proceeds from sale of investment properties		43,120	122,545
Proceeds from sale/redemption of investments at FVOCI	9	1,902,910	654,241
Proceeds from redemption of investments at amortised cost	11	1,107,666	679,246
Proceeds from sale/redemption of investments at FVTPL		178,129	17,577
Purchases of investments at FVOCI	9	(4,457,142)	(1,389,265)
Purchases of investments at amortised cost	11	(1,092,510)	(757,050)
Purchases of investments at FVTPL		(426,068)	(340,509)
<b>Net cash inflow from investing activities</b>		<b>(2,737,702)</b>	<b>(1,039,556)</b>
<b>Financing activities</b>			
Payment of lease liabilities		(5,342)	(9,262)
Dividends paid		-	(60,000)
<b>Net cash outflow from financing activities</b>		<b>(5,342)</b>	<b>(69,262)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(450,373)</b>	<b>219,561</b>
Cash and cash equivalents at 1 January		2,930,077	2,710,516
<b>Cash and cash equivalents at 31 December</b>		<b>2,479,704</b>	<b>2,930,077</b>
<b>Non- cash transactions during the year</b>			
Gain on revaluation of property and equipment	15	25,430	8,812
Deferred tax credit	39	7,535	-
Cash flow hedge reserve		552	-

The notes on pages 79 to 116 form an integral part of these financial statements.

The independent auditor's report on these financial statements is set out on pages 70 to 73.

# Notes to the Financial Statements

31 December 2024

## 1. Legal status and principal activities

Arab Bank for Investment and Foreign Trade PJSC (the "Bank") was incorporated in the Emirate of Abu Dhabi by Union Decree No. 50 of 1976. It is registered as a Public Joint Stock Company in accordance with Federal Decree Law No. (32) of 2021 ("Companies Law") which was issued and came into effect on 2 January 2022 and repealed the UAE Federal Law No. (2) of 2015. The address of the Bank's registered office is P.O. Box 46733 Abu Dhabi, United Arab Emirates.

The Bank is engaged in commercial and retail banking activities and carries out its operations solely in the United Arab Emirates through its five branches (31 December 2023: five branches).

The Bank's Islamic banking activities are conducted in accordance with Islamic Shari'ah laws issued by the Shari'ah Supervisory Board of the Bank.

## 2. Basis of preparation

### (a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and comply with the applicable requirements of the UAE Federal Decree Law No. (32) of 2021.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost convention except for the following:

- financial assets at amortised cost which are measured using the effective interest method;
- investments at FVTPL which are measured at fair value;
- investments at FVOCI which are measured at fair value; and
- freehold land and buildings classified as property and equipment which are measured based on the revaluation model.
- defined benefit obligation included in employees' end of service benefits which is measured using the projected unit credit method.

### (c) Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the currency of the primary economic environment in which the Bank operates (the 'functional currency'). Except as indicated, information presented in AED has been rounded to the nearest thousand.

### (d) Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 6 to the financial statements.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies

### (a) Financial assets and liabilities

#### (i) Recognition and initial measurement

All financial assets are recognised and derecognised on a settlement date basis (other than derivative contracts which are recognised and derecognised on a trade date basis) where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Settlement date is the date that the Bank physically receives or transfers the assets. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

#### (ii) Classification of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank 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.

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments at amortised cost.

#### *Business model assessment*

The Bank performs an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (a) Financial assets and liabilities (continued)

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

#### *Assessment of whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

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

### (iii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

### (iv) De-recognition

#### *Financial asset*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (a) Financial assets and liabilities (continued)

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

#### *Financial liability*

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

### (v) Modifications of financial assets and financial liabilities

#### *Financial assets*

If the terms of a financial asset are modified, then the Bank evaluates 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 plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees receivable as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (a) Financial assets and liabilities (continued)

#### (vi) Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

Category	Subsequent measurement
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss. The allowance for impairment on debt instruments designated at FVOCI is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss on de-recognition.

#### (vii) Offsetting

As per IAS 32, financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a Bank of similar transactions.

#### (viii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment for financial assets.

#### (ix) Fair value measurement

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

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (a) Financial assets and liabilities (continued)

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

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

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

### (x) Impairment of financial assets

The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments as these are measured at fair value.

The Expected Credit Loss (ECL) model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded.
- Under Stage 3, where there is objective evidence of impairment at the reporting date, these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (a) Financial assets and liabilities (continued)

#### *Measurement of ECL*

IFRS 9 considers the calculation of ECL by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios.

Details of these statistical parameters/inputs are as follows:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon;
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date; and
- The Loss Given Default (LGD) 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.

#### *Macroeconomic factors, forward looking information and multiple scenarios*

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### *Credit-impaired financial assets*

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities carried at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### *Experienced credit judgment*

The Bank's ECL allowance methodology requires the use of experienced credit judgment to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Default definition followed by the Bank for impairment assessment remains in line with the guidelines of IFRS 9, and consistent with regulatory requirements. The policy on the write-off of financing transactions remains unchanged.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (a) Financial assets and liabilities (continued)

#### *Write-off*

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

#### *Expected life*

When measuring expected credit loss, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options.

#### *Central Bank of UAE ("CBUAE") provision requirements*

As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, if the specific provision and general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an "Impairment reserve" as an appropriation from the retained earnings. This impairment reserve should be split to that which relates to difference in specific provision and general/collective provision. The Impairment reserve will not be available for payment of dividend.

### (b) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, unrestricted balances held with central banks and due from banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

### (c) Due from banks

Amounts due from banks are stated at amortised cost, less allowance for impairment, if any.

### (d) Investments measured at fair value through other comprehensive income ("FVOCI")

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method
- ECL and reversals, and
- Foreign exchange gains and losses.

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

Gains and losses on equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an equity investment.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (e) Investments at fair value through profit or loss (“FVTPL”)

These are securities that the Bank acquire principally for the purpose of selling in the near term or holding as a part of portfolio that is managed together for short-term profit or position taking. These assets are initially recognised and subsequently measured at fair value in the statement of financial position. All changes in fair values are recognised as part of profit or loss.

### (f) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances presented in the statement of financial position include:

- Loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Loans and advances mandatorily measured at FVTPL or designated at FVTPL, these are measured at fair value with changes recognised immediately in the profit or loss account; and
- Lease receivables.

When the bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan and advance, and the underlying asset is not recognised in the Bank’s financial statements.

### (g) Islamic financing activities

#### i) Murabahah “the purchase orderer”

It is the sale of a commodity by an institution to its customer (the purchase orderer) as per the purchasing price / cost with a defined and agreed profit mark-up (as set out in the promise/Wa’d), in which case it is called a banking Murabahah. The banking Murabahah involves deferred payment terms, but such deferred payment is not one of the essential conditions of such transaction, as there is also a Murabahah arranged with no deferral of payment. In this case, the seller only receives a mark-up that only includes the profit for a spot sale and not the extra charge it would, otherwise, receive for deferral of payment.

#### ii) Ijarah Muntahia Bittamleek & Forward Ijarah

An agreement whereby the Bank (the “Lessor”) leases an asset to its customer (the “Lessee”) (after purchasing / acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer’s request and based on his promise to lease), against certain rental payments for specific lease term / periods, payable on fixed or variable rental basis. The rental is made obligatory by the contract and the lessor’s entitlement to the rental runs from the time when the lessee starts to benefit from the asset or once the lessor transfers the right to use the asset to the lessee, and the entitlement to the rental does not necessarily commence on the date of signing the Ijarah contract.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (g) Islamic financing activities (continued)

This leasing contract which includes a promise by the lessor to transfer the ownership in the leased property to the lessee, either at the end of the term of the Ijarah period or by stages during the term of the contract, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement the Lessor will sell the leased asset to the Lessee at a nominal value based on a sale undertaking given by the Lessor.

An Ijarah contract may be executed for an asset undertaken by the lessor to be delivered to the lessee according to accurate specifications, even if the asset so described is not owned by the lessor. In this case, an agreement is reached to make the described asset available during the duration of the contract, giving the lessor the opportunity to acquire or to produce it.

#### iii) Wakala Investment

Wakala is a contract between the customer, a fund provider (the "Muwakkil"), who provides a certain amount of money (the "Wakala Capital") to the Bank (the "Wakeel"), who invests the Wakala Capital in a Shari'ah compliant manner and according to the feasibility study/ investment plan. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, Wakala profit is distributed on declaration / distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The agent acts in a fiduciary capacity in relation to the investment and therefore is not liable for any loss in cases other than willful misconduct, negligence, or breach of contract unless the breach happens to be advantageous to the principal. In situations where the agent is held liable for loss of capital, such liability is limited to the capital amount and the agent is not liable for loss of expected profit whether the capital was invested immediately or delayed or not invested at all.

#### iv) Mudaraba

Mudaraba is a contract between the Customer, a fund provider (the "Rab Al Mal"), who would provide a certain amount of funds (the "Mudaraba Capital") to the Bank (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity (unrestricted Mudaraba).

No profit can be recognised or claimed unless the capital of the Mudarabah is maintained intact. Whenever a Mudarabah operation incurs losses, such losses stand to be compensated by the profits of future operations of the Mudarabah. The losses brought forward should be set against the future profits.

All in all, the distribution of profit depends on the final result of the operations at the time of liquidation of the Mudarabah contract. If losses are greater than profits at the time of liquidation, the balance (net loss) must be deducted from the capital. In this case, the Mudarib is a trustee and is not liable for the amount of this loss, unless there is negligence or misconduct on his part.

#### v) Monetisation "DMCC Murabahah"

Monetisation refers to the process where the Customer purchases a commodity for a deferred price determined through Murabahah (mark-up sale) from the Bank, and selling it to a third party for a spot price to obtain cash. It is one of the Shari'ah compliant financing solutions in collaboration with Dubai Multi-Commodities Centre, which provides the customer with the liquidity needed to meet its monetary requirements. The Monetisation beneficiary is a customer when he purchases the commodity from the Bank and sells it to a third party to obtain liquidity in accordance to Shari'ah compliance.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (g) Islamic financing activities (continued)

#### vi) Customers' accounts and Wakala deposits from banks

Customers' accounts and Wakala deposits from banks are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost.

### (h) Property and equipment

#### i) Recognition and measurement

Items of property and equipment are initially measured at cost. Subsequently, all items except for freehold land and buildings are measured at cost less accumulated depreciation. Freehold land and buildings, which are measured using the revaluation model, are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses, if any. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Capital projects-in-progress are initially recorded at cost, and upon completion are transferred to the appropriate category of property and equipment and thereafter depreciated.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, any amounts included in other reserves in respect of those assets are transferred to retained earnings.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (h) Property and equipment (continued)

#### ii) Revaluation, depreciation methods and useful lives

Land and buildings are recognised at fair value based on annual valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment is recognised at historical cost less depreciation.

Land and any asset situated on the land - e.g. a building or specialised plant - are separate assets.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

Freehold premises	30 years
Freehold improvements	10 years
Leasehold improvements	7 years
Furniture and equipment	4 years
Computer hardware	4 years
Motor vehicles	4 years

Depreciation on additions is to be charged from the date on which the assets are available for use and ceases on the date on which they are disposed-off.

### (i) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Bank as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. As the right-of-use asset and lease liability at the reporting date was not material, the Bank has presented them in the statement of financial position under property and equipment and other liabilities respectively.

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (h) Property and equipment (continued)

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

Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

### Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### (j) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment properties are measured using the cost model which is cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment properties.

The estimated useful lives of buildings classified as investment properties for the current and comparative years are 30 years. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

### (k) Non-current asset held for sale

Non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (l) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

### (m) Customers' deposits and due to banks

Customers' deposits and due to banks are initially recognised at cost, being the fair value of the consideration received and subsequently measured at their amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

### (n) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (o) Employee benefits

#### (i) Employees terminal benefits

#### Defined contribution plan

UAE nationals employed by the Bank are registered in the scheme managed by the General Pension and Social Security Authority. Contributions to that scheme are charged as an expense.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (o) Employee benefits (continued)

#### Defined benefit plan

End of service benefits due to expatriate employees are accounted for on the basis of their accumulated service at the reporting date and in accordance with the Bank's internal regulations, which comply with the UAE Federal Labour Law. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. The provision arising is disclosed as 'provision for employees' end of service benefits' under other liabilities in the statement of financial position.

#### (ii) Short term employee benefits

Short-term employee obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

### (p) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to perform under the terms of the contract.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 'Financial Instruments', and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 'Revenue from Contracts with Customers'.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

### (q) Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability in the statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (r) Collateral pending sale

Real estate and other collaterals that were acquired as the result of settlement of certain loans and advances are reported in "Other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange.

### (s) Earnings per share

The Bank presents basic earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares, if any.

### (t) Interest income and expense

#### Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

#### Amortised cost and gross carrying amount

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

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

#### Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (t) Interest income and expense (continued)

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

### (u) Profit distribution

Profit distribution is the amount accrued as an expense on the funds accepted from banks and customers in the form of Wakala deposits and Mudaraba contracts and recognised as depositors' share of profit in the statement of profit or loss. The amounts are calculated in accordance with agreed terms and conditions of the Wakala deposits and Shari'ah principles.

### (v) Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include loan processing fees, investment management fees, placement fees and syndication fees. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

### (w) Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. Dividends are presented as dividend income in statement of profit or loss.

### (x) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (x) Foreign currency (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at FVOCI are recognised in other comprehensive income.

### (y) Fiduciary activities

Assets held in a fiduciary capacity are not treated as assets of the Bank as they are only held in trust where the Bank acts as a custodian on customers' behalf. The Bank has no liability or obligations towards the customer on these assets held in trust. Accordingly, these assets are not included in these financial statements.

### (z) Value Added Tax ("VAT")

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other assets or other liabilities in the statement of financial position.

### (aa) Income tax

Income tax expense comprises of current and deferred tax. It is recognised in profit or loss except to the extent it relates to items recognised directly in equity or OCI.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated statement of profit or loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised in respect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is recognised for all taxable differences, except for the following:

- temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (aa) Income tax (continued)

- temporary differences relating to investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that temporary differences will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow for all or part of the deferred tax asset to be utilised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest maybe due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

### (bb) Derivatives and hedging

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity.

#### (i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other gains/(losses)'.

Where option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the options as the hedging instrument.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (bb) Derivatives and hedging (continued)

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity might designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are accounted for as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss, because the hedged item affects profit or loss (for example, through cost of goods sold).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

### (ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other gains/(losses)'.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

### (iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in 'other gains/(losses)'.

### (cc) Intangible assets

Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

# Notes to the Financial Statements

31 December 2024

## 3. Material accounting policies (continued)

### (cc) Intangible assets (continued)

All other expenditure is expensed as incurred. Software is amortised on a straight-line basis to the statement of profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is four years, except for core banking software, which is amortised over ten years.

## 4. Application of new and revised IFRS Accounting Standard

### (a) New and amended standards adopted by the Bank

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 IFRSs, 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.

Title	Key requirements	Effective date
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 recognising 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.	1 January 2024
Amendments to IAS 1 - Presentation of financial statements' on classification of liabilities	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.	1 January 2024
Amendments to IAS 1 - Non-current Liabilities with Covenants	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.	1 January 2024
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.	1 January 2024

# Notes to the Financial Statements

31 December 2024

## 4. Application of new and revised IFRS Accounting Standard (continued)

### (b) New standards and interpretations not yet adopted

The Bank has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
<p><b>Lack of Exchangeability – Amendments to IAS 21</b>, 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.</p>	January 1, 2025
<p><b>Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7</b>, 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:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>(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</li> <li>(d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).</li> </ul>	January 1, 2026
<p><b>Presentation and Disclosure in Financial Statements - IFRS 18</b>, 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.</p> <p>The key new concepts introduced in IFRS 18 relate to:</p> <ul style="list-style-type: none"> <li>the structure of the statement of profit or loss with defined subtotals;</li> <li>requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;</li> <li>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</li> <li>enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.</li> </ul>	January 1, 2027

# Notes to the Financial Statements

31 December 2024

## 4. Application of new and revised IFRS Accounting Standard (continued)

### (b) New standards and interpretations not yet adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
<p><b>Subsidiaries without Public Accountability: Disclosures - IFRS 19</b>, 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.</p> <p>A subsidiary is eligible if:</p> <ul style="list-style-type: none"> <li>• it does not have public accountability; and</li> <li>• it has an ultimate or intermediate parent that produces financial statements available for public use that comply with IFRS Accounting Standards.</li> </ul>	<p>January 1, 2027</p>

Management anticipates that these new standards, interpretations and amendments will be adopted in the 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.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management

### Overview

The Bank has exposure to the following risks from its business activities:

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

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

### Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board has entrusted a number of managers with the risk management function along with setting up and monitoring the Bank's credit, liquidity, operational and market risks, taking credit decisions above management's discretionary powers and setting market risk limits under which the Bank's management operates.

The Bank has further set up from within management, the Asset and Liability ("ALCO"), Management Credit Committee ("MCC") and Management Risk Management Committee ("MRC") which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

The Bank has risk appetite / tolerance limits which is revised annually and monitored regularly.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits, implement controls, monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank Audit and Compliance Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank Audit and Compliance Committee.

### (a) Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations; and arises principally from the Bank's loans and advances, due from banks, non-trading debt instruments and certain other assets.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

#### Management of credit risk

The Bank's credit risk management framework includes:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit Committee, Board credit and investment committee or the Board of Directors as deemed appropriate.
- Reviewing and assessing all credit exposures of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, segments, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for Investments designated at FVOCI).
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk ratings system consist of 19 normal and 3 non performing categories. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews.
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

The risk management team is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives.

In addition, the Bank manages the credit exposure by obtaining collateral where appropriate and limiting the duration of exposure.

The Bank acknowledges that the Central Bank of UAE has issued the Credit Risk Management Standards in October 2024. The bank is committed to meet all the requirements by the stipulated timelines.

#### Credit quality analysis

The table below provides the mapping of the Bank's internal credit risk grades.

Grouping	Rating Category
Low-fair risk	Grades 1 to 5-
Marginal Risk	Grades 6+ to 7+
Higher risk	Grade 7 and 7-
3 (a)	Grade 8
3 (b)	Grade 9
3 (c)	Grade 10

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Due from banks</b>								
Low-fair risk	1,169,948	-	-	1,169,948	1,319,675	-	-	1,319,675
<b>Total gross carrying amount</b>	1,169,948	-	-	1,169,948	1,319,675	-	-	1,319,675
Loss allowance	(2,763)	-	-	(2,763)	(1,877)	-	-	(1,877)
<b>Carrying amount</b>	1,167,185	-	-	1,167,185	1,317,798	-	-	1,317,798

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to customers</b>								
Low-fair risk	7,822,032	69,056	-	7,891,088	6,941,924	111,903	-	7,053,827
Marginal risk	3,284,608	755,795	-	4,040,403	3,471,491	965,936	-	4,437,427
Higher risk	19,644	956,222	-	975,866	37,808	861,596	-	899,404
3 (a)	-	-	156,355	156,355	-	-	267,678	267,678
3 (b)	-	-	257,209	257,209	-	-	415,569	415,569
3 (c)	-	-	1,995,819	1,995,819	-	-	2,988,566	2,988,566
<b>Total gross carrying amount</b>	11,126,284	1,781,073	2,409,383	15,316,740	10,451,223	1,939,435	3,671,813	16,062,471
Loss allowance	(203,727)	(413,506)	(1,306,051)	(1,923,284)	(158,955)	(362,869)	(1,992,956)	(2,514,780)
Interest in suspense	-	-	(341,524)	(341,524)	-	-	(615,257)	(615,257)
Deferred profit	(18,235)	-	-	(18,235)	(31,846)	-	-	(31,846)
<b>Carrying amount</b>	10,904,322	1,367,567	761,808	13,033,697	10,260,422	1,576,566	1,063,600	12,900,588

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt Securities – investments at FVOCI</b>								
Low-fair risk	5,548,634	-	-	5,548,634	3,091,079	-	-	3,091,079
<b>Total gross carrying amount</b>	<b>5,548,634</b>	<b>-</b>	<b>-</b>	<b>5,548,634</b>	<b>3,091,079</b>	<b>-</b>	<b>-</b>	<b>3,091,079</b>
Loss allowance	(11,930)	-	-	(11,930)	(20,477)	-	-	(20,477)
<b>Carrying amount</b>	<b>5,536,704</b>	<b>-</b>	<b>-</b>	<b>5,536,704</b>	<b>3,070,602</b>	<b>-</b>	<b>-</b>	<b>3,070,602</b>

The allowance for impairment on debt instruments designated at FVOCI is included in revaluation reserve of investments carried at FVOCI and recognized in other comprehensive income.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

	31 December 2024				31 December 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt securities amortised</b>								
Low-fair risk	<b>407,499</b>	-	-	<b>407,499</b>	405,414	-	-	405,414
<b>Total gross carrying amount</b>	<b>407,499</b>	-	-	<b>407,499</b>	405,414	-	-	405,414
Loss allowance	<b>(707)</b>	-	-	<b>(707)</b>	(38)	-	-	(38)
<b>Carrying amount</b>	<b>406,792</b>	-	-	<b>406,792</b>	405,376	-	-	405,376

The stagewise balance of letters of credit and letters of guarantee is presented under the movement section in Note 5(a) in the following pages.

#### *Loans and advances to customers*

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security, and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Security and collaterals are bifurcated into following categories:

- Tangible: This includes cash margins, fixed deposits under lien, mortgages over immovable assets, pledges of shares, commercial pledges over movable assets.
- Non-Tangible: Guarantees and all other collaterals not having any tangible worth/ value.

Collateralisation of exposure is supported by proper documentation, charge (registered where required) etc. to ensure its enforceability/reliability.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The Bank has collateral valuation guidelines which detail the principles and frequency of valuation of securities. The Bank monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements. It also monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

When valuations are obtained from Banks' approved evaluators, the lowest value is taken thereafter for the purpose of collateral / LTV computation. Refreshed valuations are obtained for properties with more frequency in cases where there are difficulties and hence reliance on the security is increasingly high. Where the Bank accepts fixed assets e.g. property as collateral, these are adequately insured with the Bank as loss payee, wherever applicable. If corporate guarantees are accepted, their tangible net worth are re-evaluated annually along with the annual review of facilities, where-ever applicable. All securities are held under the custody of an independent credit administration function.

At 31 December 2024, the net carrying amount of credit-impaired loans and advances to customers amounted to AED 761,808 thousands (2023: AED 1,063,600 thousands) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to AED 1,453,837 thousands (2023: AED 2,073,420 thousands). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

#### *Amounts arising from ECL*

#### *Inputs, assumptions and techniques used for estimating impairment*

#### *Significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

For the retail portfolio, historical payment behaviour of the exposure is evaluated to determine significant increase in credit risk.

In addition to the quantitative test based on movement of PD, the Bank also applies experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results.

#### *Credit risk grades*

The Bank allocates each corporate exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

Credit risk grades are defined and calibrated using the bank's historical data and deploying scientific methods.

Each borrower is assigned a credit risk grade on initial recognition based on available information about the borrower's financial information, securities provided to banks and other relevant qualitative information. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring typically involves use of the following information.

Corporate exposures	Retail exposures	All exposures
<p>Financial and non-financial Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes etc.</p> <p>Data from credit reference agencies, press articles, changes in external credit ratings, market references.</p> <p>Quoted bond and credit default swap (CDS) prices for the borrower where available.</p> <p>Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.</p>	<p>Internally collected data on customer behaviour – e.g. utilisation of credit card facilities</p> <p>External data from credit reference agencies.</p>	<p>Payment record – this includes overdue status as well as a range of variables about payment ratios.</p> <p>Utilisation of the granted limit.</p> <p>Requests for and granting of forbearance.</p> <p>Existing and forecast changes in business, financial and economic conditions.</p>

### *Determining whether credit risk has increased significantly*

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between corporate and retail.

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. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

#### *Definition of default*

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

#### *Incorporation of forward-looking information*

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring.

The Bank has applied the following Macro Economic Variables/Shocks for the Corporate portfolio in conditional IFRS 9 analysis with forecast scenarios:

- Equity (ADX Equity Index)
- Oil price

#### *Modified financial assets*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the Bank's accounting policies.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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

The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank's Restructuring and Rescheduling policy, restructuring or rescheduling is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank's Credit Committee and Remedial Management Committee regularly reviews reports with regards to restructured and rescheduled accounts.

For financial assets modified as part of the Bank's Restructuring and Rescheduling policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar restructuring and rescheduling action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructuring and rescheduling is a qualitative indicator of a significant increase in credit risk and an expectation of restructuring and rescheduling may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1 ECL provision.

### Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated based on the market value, after applying haircuts prescribed by CBUAE.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

#### Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance for due from banks for the year ended 31 December 2024.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	1,877	-	-	1,877
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	886	-	-	886
	<b>2,763</b>	-	-	<b>2,763</b>

The following tables show reconciliations from the opening to the closing balance of the loss allowance for due from banks for the year ended 31 December 2023.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	1,381	24	-	1,405
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	24	(24)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	472	-	-	472
	<b>1,877</b>	-	-	<b>1,877</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following tables show reconciliations from the opening to the closing balance of the loss allowance for investments at FVOCI for the year ended 31 December 2024.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	20,477	-	-	20,477
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	(8,547)	-	-	(8,547)
	11,930	-	-	11,930

The following tables show reconciliations from the opening to the closing balance of the loss allowance for investments at FVOCI for the year ended 31 December 2023.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	20,027	-	-	20,027
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	450	-	-	450
	20,477	-	-	20,477

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following tables show reconciliations from the opening to the closing balance of the loss allowance for loans and advances for the year ended 31 December 2024.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	158,955	362,869	1,992,956	2,514,780
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(42,607)	42,607	-	-
Transfer from Stage 1 to Stage 3	(1,960)	-	1,960	-
Transfer from Stage 2 to Stage 1	110,142	(110,142)	-	-
Transfer from Stage 2 to Stage 3	-	(151,780)	151,780	-
Transfer from Stage 3 to Stage 2	-	11,770	(11,770)	-
Impact of change in provision	(20,803)	258,182	163,806	401,185
Write-offs	-	-	(992,681)	(992,681)
	203,727	413,506	1,306,051	1,923,284

The following tables show reconciliations from the opening to the closing balance of the loss allowance for loans and advances for the year ended 31 December 2023.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	111,538	438,006	2,154,296	2,703,840
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(2,355)	2,355	-	-
Transfer from Stage 1 to Stage 3	(688)	-	688	-
Transfer from Stage 2 to Stage 1	134,591	(134,591)	-	-
Transfer from Stage 2 to Stage 3	-	(46,303)	46,303	-
Transfer from Stage 3 to Stage 2	-	29,016	(29,016)	-
Impact of change in provision	(84,131)	74,386	370,309	360,564
Write-offs	-	-	(549,624)	(549,624)
	158,955	362,869	1,992,956	2,514,780

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following tables show reconciliations from the opening to the closing balance of the loss allowance for letters of credit and guarantee for the year ended 31 December 2024.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	37,847	29,978	206,176	274,001
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(116)	116	-	-
Transfer from Stage 1 to Stage 3	(17)	-	17	-
Transfer from Stage 2 to Stage 1	1,278	(1,278)	-	-
Transfer from Stage 2 to Stage 3	-	(3,914)	3,914	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	(35,392)	(1,140)	36,133	(399)
	3,600	23,762	246,240	273,602

The following tables show reconciliations from the opening to the closing balance of the loss allowance for letters of credit and guarantee for the year ended 31 December 2023.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	17,918	44,238	161,393	223,549
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(634)	634	-	-
Transfer from Stage 1 to Stage 3	(1)	-	1	-
Transfer from Stage 2 to Stage 1	7,598	(7,598)	-	-
Transfer from Stage 2 to Stage 3	-	(7,477)	7,477	-
Transfer from Stage 3 to Stage 2	-	131	(131)	-
Impact of change in provision	12,966	50	37,436	50,452
	37,847	29,978	206,176	274,001

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following table further explains the changes in the gross carrying amount of due from banks for the year ended 31 December 2024 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	1,319,675	-	-	1,319,675
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	(149,727)	-	-	(149,727)
	1,169,948	-	-	1,169,948

The following table further explains the changes in the gross carrying amount of due from banks for the year ended 31 December 2023 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	1,882,924	1,046	-	1,883,970
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	1,046	(1,046)	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	(564,295)	-	-	(564,295)
	1,319,675	-	-	1,319,675

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following table further explains the changes in the gross carrying amount of debt securities at FVOCI for the year ended 31 December 2024 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	3,091,079	-	-	3,091,079
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	2,456,955	-	-	2,456,955
	<b>5,548,034</b>	-	-	<b>5,548,034</b>

The following table further explains the changes in the gross carrying amount of debt securities at FVOCI for the year ended 31 December 2023 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	2,325,581	-	-	2,325,581
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	765,498	-	-	765,498
	<b>3,091,079</b>	-	-	<b>3,091,079</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following table further explains the changes in the gross carrying amount of loans and advances for the year ended 31 December 2024 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	10,451,223	1,939,435	3,671,813	16,062,471
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(1,099,310)	1,099,310	-	-
Transfer from Stage 1 to Stage 3	(13,948)	-	13,948	-
Transfer from Stage 2 to Stage 1	639,226	(639,226)	-	-
Transfer from Stage 2 to Stage 3	-	(519,357)	519,357	-
Transfer from Stage 3 to Stage 2	-	36,556	(36,556)	-
New financial assets net of repayments/ adjustments	1,149,093	(135,645)	(309,310)	704,138
Write-Offs	-	-	(1,449,869)	(1,449,869)
	11,126,284	1,781,073	2,409,383	15,316,740

The following table further explains the changes in the gross carrying amount of loans and advances for the year ended 31 December 2023 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	8,668,090	4,143,208	3,842,210	16,653,508
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(114,558)	114,558	-	-
Transfer from Stage 1 to Stage 3	(51,673)	-	51,673	-
Transfer from Stage 2 to Stage 1	972,324	(972,324)	-	-
Transfer from Stage 2 to Stage 3	-	(438,665)	438,665	-
Transfer from Stage 3 to Stage 2	-	78,854	(78,854)	-
New financial assets net of repayments/ adjustments	977,040	(986,196)	(24,699)	(33,855)
Write-Offs	-	-	(557,182)	(557,182)
	10,451,223	1,939,435	3,671,813	16,062,471

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

The following table further explains the changes in the gross carrying amount of letters of credit and guarantee for the year ended 31 December 2024 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	4,000,175	367,486	233,489	4,601,150
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(211)	211	-	-
Transfer from Stage 1 to Stage 3	(32,134)	-	32,134	-
Transfer from Stage 2 to Stage 1	34,887	(34,887)	-	-
Transfer from Stage 2 to Stage 3	-	(29,032)	29,032	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	214,941	(130,456)	(58,148)	26,337
	4,217,658	173,322	236,507	4,627,487

The following table further explains the changes in the gross carrying amount of letters of credit and guarantee for the year ended 31 December 2023 to help explain their significance to the changes in the loss allowance.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Beginning of the period	3,566,277	451,226	212,111	4,229,614
<b>Transfers:</b>				
Transfer from Stage 1 to Stage 2	(58,266)	58,266	-	-
Transfer from Stage 1 to Stage 3	(860)	-	860	-
Transfer from Stage 2 to Stage 1	57,679	(57,679)	-	-
Transfer from Stage 2 to Stage 3	-	(113,323)	113,323	-
Transfer from Stage 3 to Stage 2	-	1,148	(1,148)	-
New financial assets net of repayments/ adjustments	435,345	27,848	(91,657)	371,536
	4,000,175	367,486	233,489	4,601,150

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

#### *Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

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

	2024 AED'000	2023 AED'000
<b>Gross maximum exposure</b>		
Balances with Central Bank of the UAE	2,220,195	2,416,783
Due from banks	1,169,948	1,319,675
Acceptances	808,684	477,267
Investments at FVOCI – Debt securities	5,536,704	3,070,602
Investments at FVTPL	644,362	355,638
Investments at amortised cost	407,499	405,414
Loans and advances	15,316,740	16,062,471
Other assets	220,925	210,758
Contingent liabilities	4,627,487	4,601,150
Commitments	5,169,303	5,105,853
	<b>36,121,847</b>	34,025,611

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

#### *Loans with renegotiated terms*

Loans with renegotiated terms are loans that have been restructured with material concessions due to deterioration in the borrower's financial position even if these accounts were under normal classification at the time of restructuring. Once a loan is restructured, it remains as a loan with renegotiated terms for a minimum period of twelve months, in order to establish satisfactory track record of performance under the restructuring agreement. Any case of payment holiday or any credit that show weaknesses in its conduct, will not be removed from said disclosure until a satisfactory track record is evidenced. The Bank determines the twelve months' period starting from the first principal inclusive payment post restructuring.

	2024 AED'000	2023 AED'000
<b>Loans with renegotiated terms</b>		
Non impaired loans	1,111,012	1,286,809
Impaired loans	1,357,767	1,881,097
Allowance for impairment	(669,722)	(977,225)
	<b>1,799,057</b>	2,190,681

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

#### *Collateral*

Collateral is used to mitigate credit risk, as the secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations. Credit policies and procedures set out the acceptable types of collateral, as well as a process by which additional instruments and / or asset types can be considered for approval.

As at 31 December 2024, the Bank held credit risk mitigants with an estimated value of AED 10,610,344 thousands (2023: AED 11,556,108 thousands) against loans and advances in the form of real estate collateral, other securities over assets, cash deposits and guarantees. The Bank accepts sovereign guarantees and guarantees from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals.

The table below stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio:

<b>LTV ratio</b>	<b>2024</b> <b>AED'000</b>	<b>2023</b> <b>AED'000</b>
Less than 50%	<b>211,219</b>	275,838
51 – 70%	<b>99,494</b>	87,376
71 – 90%	<b>73,130</b>	102,246
	<b>383,843</b>	465,460

The Bank holds collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the borrowing and generally updated periodically as per the Bank's policy.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances is shown below:

	2024 AED'000	2023 AED'000
<i>Stage 3</i>		
Properties	1,815,176	2,063,157
Equities	13,068	10,263
Others	-	-
	<b>1,828,244</b>	2,073,420
<i>Against past due but not impaired</i>		
Properties	1,342,828	1,425,291
Equities	-	-
Others	33,660	40,987
	<b>1,376,488</b>	1,466,278
<i>Against neither past due nor impaired</i>		
Properties	5,085,333	6,617,639
Equities	1,070,757	383,407
Others	1,249,522	1,015,364
	<b>7,405,612</b>	8,016,410
	<b>10,610,344</b>	11,556,108

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

#### *Concentrations of credit risk*

The Bank monitors concentrations of credit risk by industry sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, due from banks and investments at FVOCI and amortised cost at the reporting date is shown below:

	Loans and advances	
	2024 AED'000	2023 AED'000
<i>Concentration by industry</i>		
Real estate	3,643,544	4,097,917
Services	3,109,358	2,506,286
Financial institutions	2,697,497	2,004,556
Trading	1,390,821	1,973,429
Manufacturing	1,720,448	1,406,354
Construction	582,038	1,222,754
Individuals	671,336	1,055,307
Transport	451,977	649,735
Personal loans for business (HNI)	389,920	509,155
Electricity, gas and water	348,723	337,513
Government	250,000	250,000
Others	61,078	49,465
<b>Gross loans and Islamic financing</b>	<b>15,316,740</b>	<b>16,062,471</b>
Less: deferred profit	(18,235)	(31,846)
Less: interest in suspense	(341,524)	(615,257)
Less: allowance for impairment	(1,923,284)	(2,514,780)
	<b>13,033,697</b>	<b>12,900,588</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

	Letters of credit and guarantees	
	2024 AED'000	2023 AED'000
<i>Concentration by industry</i>		
Financial institutions	2,107,549	1,774,893
Construction	905,134	1,097,453
Trading	446,118	477,686
Government	414,135	448,406
Services	314,546	3378,430
Manufacturing	229,492	260,233
Electricity, gas and water	86,415	113,947
Transport	72,727	88,395
Others	51,371	2,707
	<b>4,627,487</b>	<b>4,601,150</b>

	Due from banks	
	2024 AED'000	2023 AED'000
<i>Concentration by sector:</i>		
Financial institutions	1,169,948	1,319,675
Less: allowance for impairment	(2,763)	(1,877)
<b>Carrying amount</b>	<b>1,167,185</b>	<b>1,317,798</b>

	Investment at FVOCI- Debt securities		Investment at amortised cost	
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000
<i>Concentration by sector:</i>				
Public sector	3,430,401	1,868,485	407,499	405,414
Private sector	1,406,190	692,019	-	-
Financial institutions	712,043	530,575	-	-
	<b>5,548,634</b>	<b>3,091,079</b>	<b>407,499</b>	<b>405,414</b>
Less: allowance for impairment	(11,930)	(20,477)	(707)	(38)
<b>Carrying amount</b>	<b>5,536,704</b>	<b>3,070,602</b>	<b>406,792</b>	<b>405,376</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

	Letters of credit and guarantees	
	2024	2023
	AED'000	AED'000
<i>Concentration by sector:</i>		
Public sector	441,597	476,976
Private sector	2,107,658	2,384,604
Financial institutions	2,078,232	1,739,570
	<b>4,627,487</b>	4,601,150

	Due from banks		Loans and advances	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
<i>Concentration by location:</i>				
UAE	316,785	675,326	13,135,549	15,466,388
Europe	345,638	310,562	15,918	12
GCC	206,150	311,293	1,936,085	386,158
Arab world	1,580	264	228,076	209,913
North America	114,835	22,015	-	-
Asia	184,960	215	-	-
Others	-	-	1,112	-
	<b>1,169,948</b>	1,319,675	<b>15,316,740</b>	16,062,471
Less: deferred profit	-	-	(18,235)	(31,846)
Less: interest in suspense	-	-	(341,524)	(615,257)
Less: allowance for impairment	(2,763)	(1,877)	(1,923,284)	(2,514,780)
<b>Carrying amount</b>	<b>1,167,185</b>	1,317,798	<b>13,033,697</b>	12,900,588

	Investment at FVOCI- Debt securities		Investment at amortised cost	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
<i>Concentration by location:</i>				
UAE	3,112,724	1,633,494	407,499	405,414
Europe	187,233	-	-	-
GCC	1,877,007	1,046,619	-	-
Arab world	-	-	-	-
North America	-	-	-	-
Asia	335,411	313,978	-	-
Others	36,259	96,988	-	-
	<b>5,548,634</b>	3,091,079	<b>407,499</b>	405,414
Less: allowance for impairment	(11,930)	(20,477)	(707)	(38)
<b>Carrying amount</b>	<b>5,536,704</b>	3,070,602	<b>406,792</b>	405,376

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

	Letters of credit and guarantees	
	2024	2023
	AED'000	AED'000
<i>Concentration by location:</i>		
UAE	2,751,274	3,097,822
Europe	553,926	238,530
GCC	19,133	19,079
Arab world	1,281,930	1,235,713
North America	-	-
Asia	20,324	10,006
Others	-	-
	<b>4,627,487</b>	4,601,150

Concentration by location for loans and advances, due from banks, investments at FVOCI, investment at amortised cost and letters of credit and letters of guarantee is measured based on the residential status of the borrower.

As at 31 December 2024, the top twelve customers comprised 32.52% of the total balance of loans and advances (2023: 24.96%).

#### *Settlement risk*

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier.

#### *Commitments and contingencies related credit risk*

Credit risk arising from commitments and contingencies is disclosed in note 32 to the financial statements.

#### *Expected credit loss (ECL) - Forward Looking Information*

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring (2023: 40%), and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring (2023: 30%). External information considered includes economic data and forecasts published by governmental bodies and monetary authorities, and the International Monetary Fund, and selected

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (a) Credit risk (continued)

private-sector and academic forecasters. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. The Bank has applied the following Macro Economic Variables for the Corporate portfolio in conditional IFRS 9 analysis with forecast scenarios: Equity (ADX Equity Index) and Oil Price. Had the weightage to the adverse scenario been increased by another 10% with a corresponding decrease of 10% in upside scenario, the impairment loss allowance would increase by AED 13.4 million at 31 December 2024 (31 December 2023: AED 15.1 million).

### (b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

#### *Management of liquidity risk*

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to the Assets and Liability Committee ("ALCO"). The Board approves the Bank's liquidity policies and procedures. The Treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO.

The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank actively diversified its funding sources and closely monitors liquidity to ensure adequate funding. Further more the Bank maintains a portfolio of liquid assets, largely made up of short-term liquid financial assets, and inter-bank placements to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank relies on deposits from customers and banks as its primary sources of funding. Deposits from customers and banks generally have shorter maturities and a proportion of them are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk and the Bank actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

The Bank ensures that it is in compliance with UAE Central Bank liquidity regulation on Eligible Liquid Assets Ratio ("ELAR") and Available Stable Resources Ratio ("ASRR") at all times.

#### *Exposure to liquidity risk*

The key measure used by the Bank for managing liquidity risk is ELAR. ELAR is a ratio of the stock of eligible liquid assets to total liabilities (excluding liabilities allowed in the regulatory capital base). It is a measure that aims to ensure that banks hold minimum buffers of liquid assets. For this purpose, high quality liquid assets ("HQLA") includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (b) Liquidity risk (continued)

Furthermore, the bank uses liquidity gap to manage its exposure to liquidity risk. The table below by the maturity profile of the Bank's assets and liabilities based on the contractual repayment arrangements and does not take account of the effective maturities as indicated by the Bank's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of financial assets and liabilities at 31 December 2024 was as follows:

	Carrying Amount AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Unspecified maturity AED'000
<b>Assets</b>							
Cash and balances with the Central Bank of the UAE	2,348,447	2,348,447	-	-	-	-	-
Due from banks	1,167,185	1,167,185	-	-	-	-	-
Acceptances	808,684	783,084	25,600	-	-	-	-
Investments at FVOCI	5,541,493	561,315	690,633	986,817	1,063,519	2,234,780	4,789
Investment at FVTPL	644,362	-	-	-	-	-	644,362
Investment at amortised cost	406,792	49,244	341,982	-	15,566	-	-
Loans and advances	13,033,697	3,491,833	1,462,131	1,288,481	2,853,293	3,937,959	-
Other assets	220,925	220,925	-	-	-	-	-
<b>Total assets</b>	<b>24,171,585</b>	<b>8,622,033</b>	<b>2,520,346</b>	<b>2,275,298</b>	<b>3,932,018</b>	<b>6,172,739</b>	<b>649,151</b>
<b>Liabilities</b>							
Customers' deposits	16,960,211	14,502,985	2,039,740	23,547	-	-	393,939
Due to banks	2,070,307	2,070,307	-	-	-	-	-
Acceptances	808,684	783,084	25,600	-	-	-	-
Lease liabilities	7,136	7,136	-	-	-	-	-
Other liabilities	338,489	338,489	-	-	-	-	-
<b>Total liabilities</b>	<b>20,184,827</b>	<b>17,702,001</b>	<b>2,065,340</b>	<b>23,547</b>	<b>-</b>	<b>-</b>	<b>393,939</b>
<b>Statement of financial position gap</b>	<b>3,986,758</b>	<b>(9,079,968)</b>	<b>455,006</b>	<b>2,251,751</b>	<b>3,932,018</b>	<b>6,172,739</b>	<b>255,212</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (b) Liquidity risk (continued)

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

	Carrying Amount AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Unspecified maturity AED'000
<b>Assets</b>							
Cash and balances with the Central Bank of the UAE	2,532,001	2,532,001	-	-	-	-	-
Due from banks	1,317,798	1,317,798	-	-	-	-	-
Acceptances	477,267	445,399	31,788	80	-	-	-
Investments at FVOCI	3,075,277	128,197	526,652	965,172	641,834	808,747	4,675
Investment at FVTPL	355,638	-	-	-	-	-	355,638
Investment at amortised cost	405,376	201,773	195,315	-	8,288	-	-
Loans and advances	12,900,588	2,643,122	1,680,369	2,504,575	2,364,069	3,708,453	-
Other assets	210,758	210,758	-	-	-	-	-
<b>Total assets</b>	<b>21,274,703</b>	<b>7,479,048</b>	<b>2,434,124</b>	<b>3,469,827</b>	<b>3,014,191</b>	<b>4,517,200</b>	<b>360,313</b>
<b>Liabilities</b>							
Customers' deposits	14,750,019	11,586,237	2,301,404	32,733	829,645	-	-
Due to banks	2,042,547	2,041,733	-	-	814	-	-
Acceptances	477,267	445,399	31,788	80	-	-	-
Lease liabilities	12,478	12,478	-	-	-	-	-
Other liabilities	219,840	219,840	-	-	-	-	-
<b>Total liabilities</b>	<b>17,502,151</b>	<b>14,305,687</b>	<b>2,333,192</b>	<b>32,813</b>	<b>830,459</b>	<b>-</b>	<b>-</b>
<b>Statement of financial position gap</b>	<b>3,772,552</b>	<b>(6,826,639)</b>	<b>100,932</b>	<b>3,437,014</b>	<b>2,183,732</b>	<b>4,517,200</b>	<b>360,313</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### *Management of market risk*

The Bank separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios are mainly held by Treasury, and include positions arising from market making and proprietary position taking, together with financial assets and financial liabilities that are managed on a fair value basis.

The Board of Directors has set risk limits based on sensitivity analysis and notional limits which are closely monitored by the Risk Management Division, reported weekly to Senior Management and discussed in the ALCO/ Investment committee.

#### *Interest rate risk*

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Bank manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities. Repricing gaps is a measure of the structural or repricing risk of the Bank's balance sheet. A repricing gap report shall be prepared based on the repricing characteristics of assets and liabilities. Based on the bucketing framework, asset and liability cashflows are presented at first opportunity to reset the relevant interest rate. Gap reports should be used to identify concentration of repricing events and to identify opportunities for interest rate risk management strategies.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating instrument or an instrument carried at fair value.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (c) Market risk (continued)

A summary of the Bank's interest rate gap position based on contractual re-pricing arrangements at 31 December 2024 is as follows:

	Re-pricing in						
	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing AED'000
<b>Assets</b>							
Cash and balances with the Central Bank of the UAE	2,348,447	1,100,000	-	-	-	-	1,248,447
Due from banks	1,167,185	1,167,185	-	-	-	-	-
Acceptances	808,684	-	-	-	-	-	808,684
Investments at FVOCI	5,541,493	561,315	690,633	986,817	1,063,159	2,234,780	4,789
Investment at FVTPL	644,362	-	-	-	-	-	644,362
Investment at amortised cost	406,792	49,244	341,982	-	15,566	-	-
Loans and advances	13,033,697	9,693,646	709,825	646,017	1,691,626	292,583	-
Other assets	220,925	-	-	-	-	-	220,925
<b>Total assets</b>	<b>24,171,585</b>	<b>12,571,390</b>	<b>1,742,440</b>	<b>1,632,834</b>	<b>2,770,351</b>	<b>2,527,363</b>	<b>2,927,207</b>
<b>Liabilities</b>							
Customers' deposits	16,960,211	8,308,045	2,039,740	23,547	-	-	6,588,879
Due to banks	2,070,307	2,070,307	-	-	-	-	-
Acceptances	808,684	-	-	-	-	-	808,684
Other liabilities	345,625	-	-	-	-	-	345,625
<b>Total liabilities</b>	<b>20,184,827</b>	<b>10,378,352</b>	<b>2,039,740</b>	<b>23,547</b>	<b>-</b>	<b>-</b>	<b>7,743,188</b>
<b>Statement of financial position gap</b>	<b>3,986,758</b>	<b>2,193,038</b>	<b>(297,300)</b>	<b>1,609,287</b>	<b>2,770,351</b>	<b>2,527,363</b>	<b>(4,815,981)</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (c) Market risk (continued)

A summary of the Bank's interest rate gap position based on contractual re-pricing arrangements at 31 December 2023 is as follows:

	Total AED'000	Re-pricing in					Non-interest bearing AED'000
		Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 years AED'000	
<b>Assets</b>							
Cash and balances with the Central Bank of the UAE	2,532,001	1,495,172	-	-	-	-	1,036,829
Due from banks	1,317,798	1,317,798	-	-	-	-	-
Acceptances	477,267	-	-	-	-	-	477,267
Investments at FVOCI	3,075,277	128,197	526,652	965,172	641,834	808,747	4,675
Investment at FVTPL	355,638	-	-	-	-	-	355,638
Investment at amortised cost	405,376	201,773	195,315	-	8,288	-	-
Loans and advances	12,900,588	9,914,964	918,082	675,503	752,751	639,288	-
Other assets	210,758	-	-	-	-	-	210,758
<b>Total assets</b>	<b>21,274,703</b>	<b>13,057,904</b>	<b>1,640,049</b>	<b>1,640,675</b>	<b>1,402,873</b>	<b>1,448,035</b>	<b>2,085,167</b>
<b>Liabilities</b>							
Customers' deposits	14,750,019	5,670,703	2,301,404	32,733	-	-	6,745,179
Due to banks	2,042,547	2,042,547	-	-	-	-	-
Acceptances	477,267	-	-	-	-	-	477,267
Other liabilities	232,318	-	-	-	-	-	232,318
<b>Total liabilities</b>	<b>17,502,151</b>	<b>7,713,250</b>	<b>2,301,404</b>	<b>32,733</b>	<b>-</b>	<b>-</b>	<b>7,454,764</b>
<b>Statement of financial position gap</b>	<b>3,772,552</b>	<b>5,344,654</b>	<b>(661,355)</b>	<b>1,607,942</b>	<b>1,402,873</b>	<b>1,448,035</b>	<b>(5,369,597)</b>

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (c) Market risk (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various interest rate scenarios. The Bank assumes a fluctuation in interest rates of 75 basis points (2023: 75 basis points) and estimates the following impact on the profit for the year and equity at that date:

	<b>2024 Profit for the year AED'000</b>	<b>2023 Profit for the year AED'000</b>	<b>2024 Equity AED'000</b>	<b>2023 Equity AED'000</b>
Fluctuation in yield	<b>24,495</b>	45,537	<b>(17,030)</b>	22,507

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 15,708 million interest bearing assets at year-end (2023: AED 16,119 million) and AED 12,442 million interest bearing liabilities at year-end (2023: AED 10,047 million). The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

The interest rate movements have an effect on retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss.

### 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 Bank's functional currency is the UAE Dirham. As at 31 December 2024, the Bank had the following significant net exposures denominated in foreign currencies:

	<b>Net spot position AED'000</b>	<b>Forward position AED'000</b>	<b>Net exposure 2024 AED'000</b>	<b>Net exposure 2023 AED'000</b>
<b>Currency</b>				
Euro	232,692	(232,753)	<b>(61)</b>	51
GBP	342	-	<b>342</b>	(134)
Libyan Dinar	1,228	-	<b>1,228</b>	88
Saudi Riyal	11,848	-	<b>11,848</b>	29,128
US Dollar	3,183,822	85,921	<b>3,269,743</b>	2,337,432

Exposure to other currencies and the effect of changes in exchange rates is insignificant.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (c) Market risk (continued)

#### *Other market price risk*

Equity price risk arises from the change in fair values of equity investments. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The effect on equity as a result of a change in the fair value of equity instruments due to a reasonably possible change in equity indices by 5%, with all other variables held constant as at 31 December 2024 is Nil (2023: Nil).

### (d) Operational risk and Business Continuity Management

Operational risk is inherent in all dimensions of the Bank. It can arise from all business processes, banking products, systems, external events and any business activity carried out by the Bank and that can expose it to financial losses, legal suits, regulatory penalties and/or reputational damage.

Business Continuity Management (BCM) enables the Bank to proactively minimize employee's impact, enrich various capabilities and manage response to unplanned incidents or events; continue to conduct critical business operations and return to normal operations in a timely manner.

Effective management of operational risk and business continuity is a fundamental element of the Bank's overall risk management program.

The Board assumes overall responsibility for operational risk and business continuity management. This includes defining risk appetite, approval of the related policies and frameworks.

Key components of the operational risk management framework include governance committees, incident reporting, risk assessment, issues and action plans management, key indicators, training and awareness, policies, guidelines, and processes.

Key components of the business continuity management framework include governance Committees, business impact analysis, business continuity plan, exercising and testing, emergency response, ORM Tools etc.

Senior management of the bank has the responsibility to oversee the implementation and ensure that strategies, policies and processes are effectively implemented at all levels.

The Bank has adopted the Three Lines of Defence (3 LoD) model for the management of operational risk and business continuity whereby:

- First line (business line management) owns the risks and are responsible for the implementation of the operational risk and business continuity frameworks.
- Second line is responsible for developing the related operational risk and business continuity policies, frameworks and the associated tools to support first line in fulfilling their responsibilities.
- Internal audit (third line of defence) provides independent assurance to Board.

### (e) Strategic Risk

The bank defines strategic risk as the potential threat to its earnings and long-term sustainability, arising from a range of internal and external factors. These factors include adverse shifts in the business environment, such as changes in the economy, political landscape, regulatory framework, technological advancements, and competitive dynamics. Strategic risk can also emerge from suboptimal business decisions, poor execution of those decisions,

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (e) Strategic Risk (continued)

or a failure to respond effectively to changes in the market or industry. Due to the interconnected nature of these elements, strategic risks often arise when the bank fails to address multiple, interdependent risks simultaneously. These risks are typically characterized by their low frequency but high potential severity, making them especially challenging to anticipate and mitigate.

To assess the impact of strategic risk on its operations, the bank considers a variety of risk drivers, including the alignment and ambition of strategic goals and objectives, the potential impact of key strategic decisions, and the organization's responsiveness to shifts in the operating environment. In addition, as part of its Internal Capital Adequacy Assessment Process (ICAAP), the bank allocates dedicated capital to address strategic risk, ensuring that it is adequately prepared for potential adverse impacts that could affect its long-term viability.

### (f) Reputational Risk

Reputational risk is an indirect risk of potential loss in earnings and capital, primarily arising from an adverse perception of the bank's image. This risk can stem from the views held by customers, counterparties, shareholders, investors, and regulators, and is manifested when the external perception of the bank is less favorable than desired.

To assess reputational risk, the bank has identified a range of factors and sub-factors. The key factors considered in the assessment include, but are not limited to, market and public perception (such as the bank's financial position, CSR initiatives, and ethical standards), customer complaints and perceptions, new business development, litigation or legal risks, negative publicity, compliance with regulations (including AML and anti-terrorism financing), business continuity practices, workplace environment, staff competence and loyalty, contagion risk, and transparency both internally and externally. The bank sets aside additional capital as part of its ICAAP to address reputational risk.

### (g) Compliance Risk

Compliance risk refers to the potential threat to a company's earnings, capital, or reputation arising from violations or non-compliance with laws, regulations, established Shari'ah principles and standards or industry standards. The bank is fully committed to ensuring compliance with all local statutory and regulatory requirements, as well as international regulations, with particular emphasis on sanctions compliance. Additionally, the bank has consistently implemented measures to strengthen its compliance framework, aligning with global developments in the fight against financial crimes. The bank sets aside additional capital as part of its ICAAP to address Compliance risk.

### (h) Capital management

The Bank's regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements.

The Bank's objectives when managing capital are:

- safeguarding the Bank's ability to continue as a going concern and increase the returns for the shareholders; and
- complying with regulatory capital requirements set by the Central Bank of the UAE.

During 2024, the Bank's strategy, which was unchanged from 2023, was to:

- maintain capital adequacy ratios above the minimum specified by the Central Bank of the UAE and Basel Accord guidelines; and
- allocate capital to various businesses in an efficient manner.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (h) Capital management (continued)

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of UAE. The required information is filed with the Central Bank of UAE on a quarterly basis.

CBUAE issued an update on Capital Adequacy Standards on November 12, 2020 vide notice number CBUAE/BSD/N/2020/4980 replacing the earlier issued standards. The updated standards include new requirements on internal and external review, additional guidelines on credit, market and operational risk and details for Pillar 2 requirements. The regulations ensure compliance with Basel III Capital Standards set out by the Basel Committee on Banking Supervision (BCBS).

For credit and market risk, CBUAE has issued guidelines for implementation of standardised approach and banks are required to comply and report under Pillar 2 – Internal Capital Adequacy Assessment Process (ICAAP) requirements since March 2010. For operational risk, the CBUAE has given banks the option to use the Basic Indicators approach or the standardised approach and the Bank has chosen to use the Basic Indicators approach.

The Bank has complied with all externally imposed capital requirements throughout the years presented.

The Bank seeks to optimise returns on capital and it has always been the objective to maintain a strong capital base to support business development and to meet regulatory capital requirements at all times.

As per Basel III requirement, capital should comprise of the following:

**Tier 1 capital** - Tier 1 capital, split into Common equity tier 1 (CET 1) which includes issued and paid-up share capital, retained earnings, statutory and legal reserves, accumulated other comprehensive income and Additional tier 1 (AT 1) comprising of instruments issued by banks which are eligible for inclusion in AT 1 and are not included in CET 1.

**Tier 2 capital** - Tier 2 capital includes general provisions (Collective allowance for impairment subject to a limit of 1.25% of Credit Risk Weighted Assets).

Regulatory adjustment is applied in CET 1, AT 1 and Tier 2 capital consisting mainly of goodwill and other intangibles, deferred tax assets and cash flow hedge reserve. Additionally, threshold deduction is applied in case of exceeding the threshold limit specified by the Central Bank regulations for Basel III.

As per Central Bank regulation for Basel III, the capital requirements is 13% inclusive of capital conservation buffer.

The Bank must comply with following minimum requirement:

- i.) CET1 must be at least 7% of risk weighted assets (RWA);
- ii) Tier 1 capital must be at least 8.5% of risk weighted assets (RWA);
- iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of risk weighted assets (RWA);

Additionally, capital conservation buffer ("CCB") is to be maintained at 2.5%.

# Notes to the Financial Statements

31 December 2024

## 5. Financial risk management (continued)

### (h) Capital management (continued)

#### Capital allocation

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular activities, it is not the sole basis used for decision making. Account is also taken of synergies with other activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors as part of Internal Capital Adequacy assessment program ("ICAAP").

The Bank's regulatory capital positions as 31 December 2024 and 2023 is as follows:

	2024 AED'000	2023 AED'000
<b>Tier 1 capital</b>		
Share capital	2,000,000	2,000,000
Statutory reserve	711,244	688,113
Special reserve	706,654	683,523
Fair value reserve	(142,215)	(66,029)
Retained earnings	684,126	499,224
IFRS transitional arrangement: Partial addback of ECL	45,622	59,353
Other deductions	(53,115)	(52,724)
Eligible Tier 1 capital (a)	3,952,316	3,811,460
<b>Tier 2 capital</b>		
Eligible general provisions	239,907	213,399
Eligible Tier 2 capital (b)	239,907	213,399
<b>Total capital base (a+b)</b>	4,192,223	4,024,859
<i>Risk weighted assets:</i>		
Credit risk	19,192,594	17,071,887
Market risk	23,814	31,743
Operational risk	1,617,241	1,500,101
<b>Total risk weighted assets</b>	20,833,649	18,603,731
<b>CET 1 ratio</b>	19.0%	20.5%
<b>Tier 1 ratio</b>	19.0%	20.5%
<b>Capital adequacy ratio</b>	20.1%	21.6%

# Notes to the Financial Statements

31 December 2024

## 6. Use of estimates and judgements

### (a) Key sources of estimation uncertainty

#### (i) Allowances for credit losses

Impairment losses are evaluated as described in accounting policy 3(a)(x).

The Bank evaluates impairment on loans and advances and investments on an on-going basis and a comprehensive review is performed on a quarterly basis to assess whether an impairment charge should be recognised in the income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about the counterparty's financial situation and other means of settlement and the net realisable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

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 Bank's 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 Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL 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; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

#### (ii) Determining fair values

The determination of fair value for financial and non-financial assets and liabilities of which there is no observable market price requires the use of valuation techniques as described in note 3(a)(ix). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degree of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument (Note 6(b)(iii)).

# Notes to the Financial Statements

31 December 2024

## 6. Use of estimates and judgements (continued)

### (b) Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

#### (i) Financial assets and liabilities classification

The Bank's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, such as in classifying financial assets as at amortised cost, FVTPL or FVOCI, the Bank has determined that it meets the description as set out in note 3(a)(ii).

#### (ii) Contingent liability arising from litigation

Due to the nature of its operations, the Bank may be involved in litigation arising in the ordinary course of business. Provision for contingent liabilities arising from litigation is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

#### (iii) Valuation of financial instruments and other assets

The Bank's accounting policy on fair value measurements is discussed in note 3(a)(ix).

#### Fair value hierarchy

##### *Fair value measurements recognised in the statement of financial position*

The Bank measures 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. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; 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 not based on observable data and the unobservable inputs have a significant impact 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.

Fair values of assets and liabilities that are traded in active markets are based on quoted market prices or dealer priced quotations. For all other assets and liabilities the Bank determines fair values using valuation techniques.

# Notes to the Financial Statements

31 December 2024

## 6. Use of estimates and judgements (continued)

### (b) Critical accounting judgements in applying the Bank's accounting policies (continued)

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument and other assets at the reporting date that would have been determined by market participants acting at arm's length.

Observable prices and model inputs are usually available in the market for listed equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>At 31 December 2024</b>				
Investments at FVOCI (Note 9)	5,536,704	-	4,789	5,541,493
Investment at FVTPL (Note 10)	-	644,362	-	644,362
Investment properties (Note 13)	-	-	149,223	149,223
Property and equipment (Note 15)	-	-	196,558	196,558
Asset held for sale (Note 16)	-	-	12,679	12,679
	<b>5,536,704</b>	<b>644,362</b>	<b>363,249</b>	<b>6,544,315</b>
<b>At 31 December 2023</b>				
Investments at FVOCI (Note 9)	3,070,602	-	4,675	3,075,277
Investment at FVTPL (Note 10)	-	355,638	-	355,638
Investment properties (Note 13)	-	-	167,839	167,839
Property and equipment (Note 15)	-	-	192,002	192,002
Asset held for sale (Note 16)	-	-	12,042	12,042
	3,070,602	355,638	376,558	3,802,798

There have been no transfers of assets between Level 1 and Level 2 or any transfers into or out of Level 3 of the fair value hierarchy during the year ended 31 December 2024 (2023: Nil).

Although the Bank believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values.

# Notes to the Financial Statements

31 December 2024

## 6. Use of estimates and judgements (continued)

### (b) Critical accounting judgements in applying the Bank's accounting policies (continued)

#### Level 3 reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Investments at FVOCI AED'000	Investments at FVTPL AED'000	Investment properties AED'000	Property & equipment AED'000	Property acquired in settlement of debt AED'000	Asset held for sale AED'000	Total AED'000
<b>At 1 January 2024</b>	<b>4,675</b>	-	<b>167,839</b>	<b>192,002</b>	-	<b>12,042</b>	<b>376,558</b>
Changes in fair value	<b>114</b>	-	-	<b>25,430</b>	-	-	<b>25,544</b>
Disposals	-	-	<b>(39,782)</b>	<b>(20,758)</b>	-	-	<b>(60,540)</b>
Depreciation	-	-	<b>(10,662)</b>	<b>(116)</b>	-	-	<b>(10,778)</b>
Net reversal charge (Note 30)	-	-	<b>31,828</b>	-	-	<b>637</b>	<b>32,465</b>
<b>At 31 December 2024</b>	<b>4,789</b>	-	<b>149,223</b>	<b>196,558</b>	-	<b>12,679</b>	<b>363,249</b>

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Investments at FVOCI AED'000	Investments at FVTPL AED'000	Investment properties AED'000	Property & equipment AED'000	Property acquired in settlement of debt AED'000	Asset held for sale AED'000	Total AED'000
<b>At 1 January 2023</b>	4,670	17,577	283,643	183,538	1,406	11,395	502,229
Changes in fair value	5	-	-	9,550	-	-	9,555
Additions / (disposals)	-	(17,577)	(122,545)	-	(1,406)	-	(141,528)
Depreciation	-	-	(10,662)	(348)	-	-	(11,010)
Net reversal / (impairment) charge (Note 30)	-	-	17,403	(738)	-	647	17,312
<b>At 31 December 2023</b>	<b>4,675</b>	-	<b>167,839</b>	<b>192,002</b>	-	<b>12,042</b>	<b>376,558</b>

# Notes to the Financial Statements

31 December 2024

## 6. Use of estimates and judgements (continued)

### (b) Critical accounting judgements in applying the Bank's accounting policies (continued)

#### *Accounting classifications and fair values*

All financial assets and liabilities are measured at amortised cost except for financial assets at fair value through profit or loss and investments at FVOCI and other non-financial assets which are measured at fair value by reference to published price quotations in an active market or from prices quoted by counterparties or through use of valuation techniques.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The fair values of due from banks, customers' deposits and due to banks that are predominantly short-term in tenure and issued at market rates are considered to reasonably approximate their book value.

The Bank estimates that the fair value of its loans and advances portfolio is not materially different from its book value since the majority of loans and advances carry floating market rates of interest and are frequently re-priced. For loans considered impaired, expected cash flows, including anticipated realisation of collateral, were discounted using an appropriate rate and considering the time of collection, the net result of which is not materially different from the carrying value.

## 7. Cash and balances with the Central Bank of the UAE

	<b>2024</b>	<b>2023</b>
	<b>AED'000</b>	<b>AED'000</b>
Cash in hand	<b>128,257</b>	115,224
Balances with the Central Bank of the UAE	<b>1,181,499</b>	1,495,178
Cash reserve with Central Bank of the UAE	<b>1,038,696</b>	921,605
Gross balance	<b>2,348,452</b>	2,532,007
Allowance for expected credit losses	<b>(5)</b>	(6)
	<b>2,348,447</b>	2,532,001

Cash reserve deposits are available for the Bank's day-to-day operations under certain specified conditions.

# Notes to the Financial Statements

31 December 2024

## 7. Cash and balances with the Central Bank of the UAE (continued)

The movement in the allowance for impairment during the year is shown below:

	2024 AED'000	2023 AED'000
Opening balance	6	1
Impairment (reversal) / charge for the year, net (Note 29)	(1)	5
	<b>5</b>	<b>6</b>

## 8. Due from banks

	2024 AED'000	2023 AED'000
Current, call and nostro balances	257,803	212,234
Fixed deposits	912,145	1,107,441
Gross balance	1,169,948	1,319,675
Allowance for expected credit losses	(2,763)	(1,877)
<b>Net balance</b>	<b>1,167,185</b>	<b>1,317,798</b>
By location:		
Within the UAE	316,785	675,326
Outside the UAE	853,163	644,349
	<b>1,169,948</b>	<b>1,319,675</b>

The movement in the allowance for impairment during the year is shown below:

	2024 AED'000	2023 AED'000
Opening balance	1,877	1,405
Impairment charge for the year, net (Note 29)	886	472
	<b>2,763</b>	<b>1,877</b>

# Notes to the Financial Statements

31 December 2024

## 9. Investment at fair value through other comprehensive income (FVOCI)

	2024 AED'000	2023 AED'000
Investment in quoted debt securities (UAE)	2,580,982	1,626,518
Investment in quoted debt securities (outside UAE / others)	2,955,722	1,444,084
<b>Total debt securities at FVOCI</b>	<b>5,536,704</b>	3,070,602
Investment in unquoted equity securities (outside UAE)	3,406	3,406
Investment in unquoted equity securities (UAE)	1,080	1,080
Investment in overseas funds	303	189
<b>Total equities at FVOCI</b>	<b>4,789</b>	4,675
<b>Total investments at FVOCI</b>	<b>5,541,493</b>	3,075,277

The above investments at FVOCI are denominated in UAE Dirhams and US Dollar. Unquoted securities are measured at fair value based on the investee company's net asset value as of the year end.

Movements during the year in investment designated at FVOCI were as follows:

	2024 AED'000	2023 AED'000
Fair value at 1 January	3,075,277	2,310,224
Purchases during the year	4,457,142	1,389,265
Sales / redemptions during the year	(1,902,910)	(654,241)
Change in fair value	(83,721)	46,107
Impairment reversal / (charge) for the year (Note 29)	8,547	(450)
Amortisation of premium on debt securities	(13,138)	(15,720)
Translation loss	296	92
<b>Fair value at 31 December</b>	<b>5,541,493</b>	3,075,277

As at 31 December 2024, the allowance for impairment on debt instruments designated at FVOCI amounting to AED 11,930 thousand (2023: AED 20,477 thousand) is included in revaluation reserve of investments carried at FVOCI and recognised in other comprehensive income.

# Notes to the Financial Statements

31 December 2024

## 10. Investment at fair value through profit or loss (FVTPL)

	2024 AED'000	2023 AED'000
Investment in mutual funds	644,362	355,638
	<b>644,362</b>	355,638

	2024 AED'000	2023 AED'000
As at 1 January	355,638	17,577
Purchases during the year	426,067	340,509
Sales / redemptions during the year	(178,129)	(17,577)
MTM gain / (loss)	40,786	15,129
<b>As at 31 December</b>	<b>644,362</b>	355,638

## 11. Investment at amortised cost

	2024 AED'000	2023 AED'000
Investment in quoted debt security (UAE)	15,566	8,288
Central Bank of UAE M-Bills	391,933	397,126
Less: Allowance for expected credit losses	(707)	(38)
	<b>406,792</b>	405,376

	2024 AED'000	2023 AED'000
As at 1 January	405,376	329,906
Purchases during the year	1,092,510	757,050
Sales / redemptions during the year	(1,107,666)	(679,246)
Impairment reversal for the year (Note 29)	(669)	97
Amortisation of premium on debt securities	17,241	(2,431)
<b>As at 31 December</b>	<b>406,792</b>	405,376

# Notes to the Financial Statements

31 December 2024

## 12. Loans and advances

	2024 AED'000	2023 AED'000
Loans and advances	13,751,481	14,114,418
Islamic financing	1,565,259	1,948,053
<b>Gross loans and Islamic financing</b>	<b>15,316,740</b>	<b>16,062,471</b>
Deferred profit	(18,235)	(31,846)
Interest in suspense	(341,524)	(615,257)
Allowance for expected credit losses	(1,923,284)	(2,514,780)
<b>Net loans and advances</b>	<b>13,033,697</b>	<b>12,900,588</b>

### Islamic finance breakdown

	2024 AED'000	2023 AED'000
By type:		
Ijarah	881,225	1,153,178
Murabaha	684,034	794,875
<b>Gross Islamic financing</b>	<b>1,565,259</b>	<b>1,948,053</b>
Deferred profit	(18,235)	(31,846)
Profit in suspense	(12,011)	(21,565)
Allowance for expected credit losses	(129,101)	(159,178)
<b>Net Islamic financing</b>	<b>1,405,912</b>	<b>1,735,464</b>

### The maturities of minimum Ijara payments

	2024 AED'000	2023 AED'000
Less than one year	31,498	154,362
Between one year and five years	688,210	786,253
More than five years	161,517	212,563
<b>Gross Ijara financing</b>	<b>881,225</b>	<b>1,153,178</b>

## Notes to the Financial Statements

31 December 2024

### 12. Loans and advances (continued)

An analysis of gross loans and advances by segment at the reporting date is shown below:

	2024 AED'000	2023 AED'000
Corporate segment	14,648,100	15,347,295
Consumer segment	668,640	715,176
<b>Gross loans and Islamic financing</b>	<b>15,316,740</b>	16,062,471

The movement in the allowance for impairment during the year is shown below:

	2024 AED'000	2023 AED'000
Opening balance	2,514,780	2,703,840
Net charge for the year (Note 29)	401,185	360,564
Net amounts written off	(992,681)	(549,624)
	<b>1,923,284</b>	2,514,780

# Notes to the Financial Statements

31 December 2024

## 13. Investment properties

	<b>Freehold land and building AED'000</b>
<b>Cost</b>	
At 1 January 2023	646,401
Disposals	(297,286)
<b>At 31 December 2023</b>	<b>349,115</b>
Disposals	(71,169)
<b>At 31 December 2024</b>	<b>277,946</b>
<b>Accumulated depreciation</b>	
At 1 January 2023	117,508
Charge for the year	10,662
Disposals	(36,085)
<b>At 31 December 2023</b>	<b>92,085</b>
Charge for the year	10,662
Disposals	-
<b>At 31 December 2024</b>	<b>102,747</b>
<b>Net carrying amount</b>	
At 31 December 2024	175,199
Less: allowance for impairment	(25,976)
	<b>149,223</b>
At 31 December 2023	257,030
Less: allowance for impairment	(89,191)
	<b>167,839</b>

# Notes to the Financial Statements

31 December 2024

## 13. Investment properties (continued)

Towards the end of 2024, the Bank carried out a valuation exercise of the investment properties and investment properties under development through qualified, independent external valuers. The valuation methodologies used by the external valuers include:

- Direct Comparable method: This method seeks to determine the value of the property from transactions and asking prices of comparable properties within the same and comparable communities applying adjustments to reflect differences to the subject property.
- Investment method (Income Capitalisation & DCF): The Income Capitalisation Method has been used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield after allowing for appropriate maintenance and vacancies. A net yield range of 8% to 9% has been applied which reflects what an investor would expect for an investment of the duration of the interest being valued for the respective properties.

All investment properties of the Bank are located in the United Arab Emirates.

Details of rental income and direct operating expenses relating to investment properties are as follows:

	2024 AED'000	2023 AED'000
Rental income	19,292	21,170
Direct operating expenses	(8,940)	(11,081)
	<b>10,352</b>	10,089

The movement in the allowance for impairment during the year is shown below:

	2024 AED'000	2023 AED'000
<b>At 1 January</b>	<b>89,191</b>	245,250
Net impairment reversal for the year (note 30)	(31,828)	(17,403)
Disposals	(31,387)	(138,656)
<b>At 31 December</b>	<b>25,976</b>	89,191

# Notes to the Financial Statements

31 December 2024

## 14. Other assets

	2024 AED'000	2023 AED'000
Interest receivable	211,873	214,670
Sundry debtors and other assets	27,964	13,083
	<b>239,837</b>	227,753

## 15. Property and equipment

	Freehold land and Building AED'000	Furniture equipment & vehicles AED'000	Capital Work in - progress AED'000	Right of use Assets AED'000	Total AED'000	Intangible Assets AED'000
<b>Cost</b>						
<b>At 1 January 2023</b>	364,837	109,816	17,511	24,298	516,462	96,722
Additions	-	-	25,603	19,572	45,175	-
Transfers	-	7,221	(23,717)	-	(16,496)	16,496
Disposals	-	-	-	(19,082)	(19,082)	-
Gain on revaluation	8,812	-	-	-	8,812	-
<b>At 31 December 2023</b>	373,649	117,037	19,397	24,788	534,871	113,218
<b>At 1 January 2024</b>	<b>373,649</b>	<b>117,037</b>	<b>19,397</b>	<b>24,788</b>	<b>534,871</b>	<b>113,218</b>
Additions	-	-	19,727	-	19,727	-
Transfers	-	2,744	(10,450)	-	(7,706)	7,706
Disposals	(24,279)	-	-	-	(24,279)	-
Gain on revaluation	25,430	-	-	-	25,430	-
<b>At 31 December 2024</b>	<b>374,800</b>	<b>119,781</b>	<b>28,674</b>	<b>24,788</b>	<b>548,043</b>	<b>120,924</b>

# Notes to the Financial Statements

31 December 2024

## 15. Property and equipment (continued)

	Freehold land and Building AED'000	Furniture equipment & vehicles AED'000	Capital Work in - progress AED'000	Right of use Assets AED'000	Total AED'000	Intangible Assets AED'000
<b>Accumulated depreciation</b>						
<b>At 1 January 2023</b>	181,299	96,923	-	23,929	302,151	46,629
Charge for the year	348	5,392	-	-	5,740	13,865
Right of use assets	-	-	-	4,499	4,499	-
Disposals	-	-	-	(19,082)	(19,082)	-
At 31 December 2023	181,647	102,315	-	9,346	293,308	60,494
<b>At 1 January 2024</b>	<b>181,647</b>	<b>102,315</b>	<b>-</b>	<b>9,346</b>	<b>293,308</b>	<b>60,494</b>
Charge for the year	116	6,488	-	-	6,604	14,850
Right of use assets	-	-	-	5,612	5,612	-
Disposals	(3,521)	-	-	-	(3,521)	-
<b>At 31 December 2024</b>	<b>178,242</b>	<b>108,803</b>	<b>-</b>	<b>14,958</b>	<b>302,003</b>	<b>75,344</b>
<b>Net carrying amount</b>						
At 31 December 2023	192,002	14,722	19,397	15,442	241,563	52,724
At 31 December 2024	196,558	10,978	28,674	9,830	246,040	45,580

## Notes to the Financial Statements

31 December 2024

### 15. Property and equipment (continued)

The freehold land and buildings were valued towards year end by qualified, independent external valuers. The valuation methodologies used by the external valuers include:

- **Direct Comparable method:** This method seeks to determine the value of the property from transactions and asking prices of comparable properties within the same and comparable communities applying adjustments to reflect differences to the subject property.
- **Investment method (Income Capitalisation & DCF):** The Income Capitalisation Method has been used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield after allowing for appropriate maintenance and vacancies. A net yield range of 8% to 9% has been applied which reflects what an investor would expect for an investment of the duration of the interest being valued for the respective properties.

The fair value of the buildings as at 31 December 2024, as provided by the valuers was AED 196.6 million (2023: AED 192.0 million), resulting in an increase in the revaluation reserve by AED 25.4 million (2023: increase by AED 9.5 million). The table below represents the movement in the revaluation reserve of the freehold land and building:

	2024 AED'000	2023 AED'000
<b>Revaluation reserve – freehold land and buildings</b>		
At 1 January	138,522	128,972
Fair value gain	25,430	9,550
Disposals	(349)	-
<b>At 31 December</b>	<b>163,603</b>	138,522

At 31 December 2024, total cost of AED 178.2 million (2023: AED 178.2 million) of fully depreciated assets was included in freehold land and buildings.

### 16. Asset held-for-sale

	2024 AED'000	2023 AED'000
Building	12,679	12,042

During 2022, the Bank decided to sell a building which was originally being constructed for use in the Bank's operations and presented under project-in-progress under Property and equipment. The building was reclassified as held for sale during 2022 and was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of an impairment reversal of AED 0.6 million (Note 30) (2023: impairment reversal of AED 0.6 million) in the statement of profit or loss.

# Notes to the Financial Statements

31 December 2024

## 17. Customers' deposits

	2024 AED'000	2023 AED'000
<i>By type:</i>		
Time deposits	<b>8,435,228</b>	4,927,417
Call accounts	<b>595,771</b>	848,295
Current accounts	<b>5,499,819</b>	4,533,598
Savings accounts	<b>1,038,887</b>	1,733,631
	<b>15,569,705</b>	12,042,941
<b><i>Islamic deposits</i></b>		
<i>By type:</i>		
Current accounts	<b>420,510</b>	615,972
Mudaraba term and savings deposits	<b>9,832</b>	12,984
Wakala deposits	<b>960,164</b>	2,078,122
	<b>1,390,506</b>	2,707,078
<b>Total deposits</b>	<b>16,960,211</b>	14,750,019
<i>By sector:</i>		
Private sector	<b>8,958,667</b>	8,334,470
Government sector	<b>6,059,459</b>	4,777,412
Individuals	<b>1,942,085</b>	1,638,137
	<b>16,960,211</b>	14,750,019

# Notes to the Financial Statements

31 December 2024

## 18. Due to banks

	2024 AED'000	2023 AED'000
Current, call and vostro balances	391,752	219,415
Fixed deposits	1,678,555	1,823,132
	<b>2,070,307</b>	2,042,547
<i>By location:</i>		
Within the UAE	608,838	842,441
Outside the UAE	1,461,469	1,200,106
	<b>2,070,307</b>	2,042,547

## 19. Other liabilities

	2024 AED'000	2023 AED'000
Allowance for expected credit loss on contingent assets	273,602	274,001
Interest payable	156,186	84,254
Corporate tax payable	22,992	-
Provision for employees' end of service benefits	19,562	18,668
Others	216,598	175,757
	<b>688,940</b>	552,680

The movement in the provision for employees' end of service benefits was as follows:

	2024 AED'000	2023 AED'000
At 1 January	18,668	21,308
Provided during the year (Note 28)	6,293	5,898
Actuarial losses on defined benefit obligation	(463)	3,147
Paid during the year	(4,936)	(11,685)
	<b>19,562</b>	18,668

# Notes to the Financial Statements

31 December 2024

## 19. Other liabilities (continued)

The Bank provides end of service benefits for its eligible employees. An actuarial valuation has been carried out as at 31 December 2024 to ascertain present value of the defined benefit obligation. A registered actuary was appointed to evaluate the same. The liabilities were measured using the projected unit credit method. For valuing liability as at 31 December 2024, a discount rate of 5.10% (2023: 5.08%) and salary escalation rate of 3 % (2023: 3%) were used.

The liability would be higher by AED 861 thousand had the discount rate used in the assumption been lower by 0.5% and the liability would be lower by AED 802 thousand had the discount rate used in the assumption been higher by 0.5%. Similarly, the liability would be higher by AED 880 thousand had the salary increment rate used in the assumption been higher by 0.5% and the liability would be lower by AED 822 thousand had the salary increment rate used in the assumption been lower by 0.5%.

## 20. Capital and reserves

### a) Share capital

The authorized, issued and paid-up share capital as at 31 December 2024 is comprised of 100,000 ordinary shares of AED 20,000 each (31 December 2023: 100,000 ordinary shares of AED 20,000 each).

The Bank received a no-objection from the Central Bank of UAE to increase the paid-up share capital of the Bank from AED 1.5 billion to AED 2 billion by issuance of Bonus Shares through capitalization of the General reserve and Retained Earnings. This was approved by the shareholders in the Annual General Meeting held on 13 April 2023 and the shares have been issued in the second quarter of 2023.

### b) Statutory reserve

As required by Article 241 of the UAE Federal Decree Law No. (32) of on Commercial Companies, and the Bank's Articles of Association, 10% of the net profit for each year is transferred to a statutory reserve until this reserve equals 50% of the share capital. There has been a transfer of AED 23.1 million to the reserve during the year (2023: AED 18.9 million).

### c) Special reserve

In accordance with UAE Federal Law No. (14) of 2018 Regarding the Central Bank & Organisation of Financial Institutions and Activities, 10% of the net profit for each year is transferred to a special reserve until this reserve equals 50% of the share capital. There has been a transfer of AED 23.1 million to the reserve during the year (2023: AED 18.9 million).

### d) Revaluation reserve

The revaluation reserve includes gains on revaluation of freehold land and buildings, amounting to AED 163.6 million (2023: AED 138.5 million). During the year 2024 a revaluation gain of AED 25.4 million (2023: gain of AED 9.5 million) was adjusted in the reserves, resulting from the revaluation exercise performed over freehold land and buildings (Note 15).

# Notes to the Financial Statements

31 December 2024

## 20. Capital and reserves (continued)

### e) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of Investments at fair value through other comprehensive income (FVOCI), until the investments are derecognised.

	2024 AED'000	2023 AED'000
<i>Fair value reserve – Investments designated at FVOCI</i>		
At 1 January	(66,029)	(112,136)
Fair value changes - net	(83,721)	46,107
Deferred tax credit related to the above	7,535	-
<b>At 31 December</b>	<b>(142,215)</b>	<b>(66,029)</b>

### f) Dividends

For the year ended 31 December 2024, the Board of Directors has proposed to pay a cash dividend of AED Nil per ordinary share (2023: Nil per ordinary share).

### g) Zakat

The Bank has not paid Zakat during the year (2023: AED 0.4 million).

### h) Cash flow hedge reserve

During the year, the Bank strategically entered into two interest rate swap agreements with local banks. Each contract was designed to hedge the interest rate variability on an open portfolio of performing loans.

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period.

## 21. Interest income

	2024 AED'000	2023 AED'000
Loans and advances to customers	785,557	811,342
Investment securities	233,936	131,349
Due from banks	113,568	136,946
	<b>1,133,061</b>	<b>1,079,637</b>

# Notes to the Financial Statements

31 December 2024

## 22. Interest expense

	2024 AED'000	2023 AED'000
Customers' deposits	368,332	311,047
Due to banks	91,961	105,491
	<b>460,293</b>	416,538

## 23. Income from Islamic financing contracts

	2024 AED'000	2023 AED'000
Ijarah	75,190	70,482
Murabaha	40,514	35,731
	<b>115,704</b>	106,213

## 24. Depositors' share of profit

	2024 AED'000	2023 AED'000
Wakala	63,405	66,771
Mudaraba deposits and saving accounts	207	183
	<b>63,612</b>	66,954

# Notes to the Financial Statements

31 December 2024

## 25. Net fee and commission income

	2024 AED'000	2023 AED'000
<b>Fee and commission income</b>		
Letters of credit	53,892	58,042
Retail and corporate lending fees	22,422	24,088
Letters of guarantee	20,586	19,131
Transfers and other fees	12,769	14,140
Others	24,296	25,327
<b>Total fee and commission income</b>	<b>133,965</b>	140,728
<b>Fee and commission expense</b>		
Brokerage fees	(1,116)	(5,390)
Handling charges	(1,665)	(1,818)
Others	(11,559)	(10,692)
<b>Total fee and commission expense</b>	<b>(14,340)</b>	(17,900)
<b>Net fee and commission income</b>	<b>119,625</b>	122,828

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
<b>Retail and corporate banking service</b>	<p>The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.</p> <p>Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.</p> <p>Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.</p> <p>Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.</p>	<p>Revenue from account service and servicing fees is recognized over time as the services are provided.</p> <p>Revenue related to transactions is recognized at the point in time when the transaction takes place.</p>

# Notes to the Financial Statements

31 December 2024

## 26. Net foreign currency exchange gain

	2024 AED'000	2023 AED'000
Dealing with customers	47,072	51,360
Trading and retranslation (loss) / gain	(2,081)	319
	<b>44,991</b>	51,679

## 27. Other operating income

	2024 AED'000	2023 AED'000
Rental income, net	10,352	10,089
Others	8,516	2,206
	<b>18,868</b>	12,295

## 28. General, administration and other operating expenses

	2024 AED'000	2023 AED'000
Staff costs (i)	216,751	205,061
Depreciation (ii)	37,728	34,767
Board of Directors expenses	16,731	16,687
Others (iii)	66,261	63,240
	<b>337,471</b>	319,755

### (i) Staff costs are divided as follows:

	2024 AED'000	2023 AED'000
Salaries and wages	100,820	91,380
End of service benefits (note 19)	6,293	5,898
Other benefits	109,638	107,783
	<b>216,751</b>	205,061

(ii) Depreciation comprises of depreciation charge for the year on property and equipment, intangible assets and right of use assets amounting to AED 27.1 million (2023: AED 24.1 million) and investment properties amounting to AED 10.7 million (2023: AED 10.7 million).

(iii) Others include audit fees of AED 0.69 million (2023: AED 0.57 million).

# Notes to the Financial Statements

31 December 2024

## 29. Net impairment charge on financial assets

	2024 AED'000	2023 AED'000
Net impairment charge on loans and advances	401,185	360,564
Net impairment (release) / charge on unfunded exposures	(399)	50,452
Net impairment charge on due from banks	886	472
Net impairment (release) / charge on balances with CBUAE	(1)	5
Net impairment (release) / charge on investment securities	(7,878)	353
Write-off of impaired financial assets	21,640	8,819
Recovery of loans previously written – off	(26,960)	(7,643)
	<b>388,473</b>	413,022

The balance of recoveries includes write back of written off loans and advances including the related suspended interest.

## 30. Impairment and fair value loss on properties

	2024 AED'000	2023 AED'000
Net impairment reversal on investment properties	(31,828)	(17,403)
<b>Net impairment reversal on properties</b>	<b>(31,828)</b>	<b>(17,403)</b>
Fair value gain on assets held-for-sale	(637)	(647)
Fair value loss on own properties	-	738
<b>Net fair value (gain) / loss on properties</b>	<b>(637)</b>	<b>91</b>

# Notes to the Financial Statements

31 December 2024

## 31. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts maturing within three months of the date of the acquisition / placement:

	2024 AED'000	2023 AED'000
Cash and balances with the Central Bank of the UAE	2,348,452	2,532,007
Due from banks	1,169,948	1,319,675
	<b>3,518,400</b>	3,851,682
Less: cash reserve with Central Bank of the UAE	(1,038,696)	(921,605)
Less: due from banks with original maturity of more than 3 months	-	-
<b>Cash and cash equivalents</b>	<b>2,479,704</b>	2,930,077

## 32. Commitments and contingencies

	2024 AED'000	2023 AED'000
Letters of guarantee	2,887,652	2,990,986
Letters of credit	1,739,835	1,610,164
	<b>4,627,487</b>	4,601,150

Commitments at the reporting date are shown below:

	2024 AED'000	2023 AED'000
Un-drawn commitments to extend credit	5,169,303	5,105,853
Commitment for future capital expenditure	12,482	13,726
	<b>5,181,785</b>	5,119,579
<b>Total commitments and contingencies</b>	<b>9,809,272</b>	9,720,729

# Notes to the Financial Statements

31 December 2024

## 32. Commitments and contingencies (continued)

Letters of credit and guarantee commit the Bank to make payments on behalf of customers contingent upon the production of documents or the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to extend loans and revolving credits. They generally have fixed expiration dates or other termination clauses and may require a payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash requirements.

As at 31 December 2024, the ECL on unfunded exposures amounted to AED 273.6 million (2023: AED 274.0 million).

## 33. Related parties

### Identity of related parties

The parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Bank's shareholding pattern is as follows:

	Shareholding percentage(%)	
	2024	2023
Emirates Investment Authority	<b>42.28</b>	42.28
Libyan Foreign Bank	<b>42.28</b>	42.28
Banque Exterieur d'Algerie	<b>15.44</b>	15.44

In the normal course of business, the Bank has various transactions with its related parties.

Banking transactions are entered into with related parties on terms and conditions approved by either the Bank's management or the Board of Directors.

# Notes to the Financial Statements

31 December 2024

## 33. Related parties (continued)

The volume of related party transactions, outstanding balances and related expenses and income for the year were as follows:

	Key management personnel		Others	
	31 December 2024 AED'000	31 December 2023 AED'000	31 December 2024 AED'000	31 December 2023 AED'000
<b>Balances</b>				
Loans and advances	1,903	5,884	1,432,795	385,759
Due from banks	-	-	16,694	19,241
Deposits	7,960	25,204	5,851,824	4,500,437
Due to banks	-	-	855,681	915,762
Commitments and contingencies	-	-	688,155	1,005,194
<b>Transactions</b>				
Board of Directors' expenses	16,731	16,687	-	-
Salaries and benefits	12,529	14,599	-	-
Post-employment benefits	1,037	1,489	-	-
Interest income	338	586	74,266	20,126
Interest expense	458	328	231,561	171,031
Fee and commission	1,882	-	7,655	7,837
Other operating expenses	-	-	-	-
Dividends paid	-	-	-	60,000

Included within others above are balances and transactions with the Bank's shareholders and parties related to them.

Loans and advances issued to related parties are repayable over one year and bear interest rates ranging between 0% and 17% (2023 6% and 11%). There were no loans and advances to related parties that were classified as Stage 3 as of 31 December 2024 (2023: Nil). Further, ECL on stage 1 and 2 amounted to AED 66.4 million (2023: AED 1.7 million).

Due to banks from other related parties include term deposits under lien amounting to AED 845 million (2023: AED 845 million).

The Bank has received a corporate guarantee from a related party as a collateral for loans and advances amounting to AED 1,105 million (2023: AED 1,039 million).

# Notes to the Financial Statements

31 December 2024

## 34. Derivative contracts

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

Unrealised gains and losses are recognised in profit and loss. In the ordinary course of business, the Bank utilises the following derivative financial instruments:

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

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

	Notional amount by term to maturity					
	Positive fair value AED'000	Negative fair value AED'000	Notional Amount AED'000	Up to 3 months AED'000	3 to 6 months AED'000	Above 6 Months AED'000
<b>31 December 2024</b>						
Forward Foreign Exchange contract	134	47	449,897	449,897	-	-
Cash Flow Hedge	552	-	1,437,533	-	-	1,437,533
<b>31 December 2023</b>						
Forward Foreign Exchange contract	395	184	2,028,937	1,731,330	297,607	-

## 35. Earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2024 AED'000	2023 AED'000
<b>Profit for the year</b>	<b>231,313</b>	189,315
Weighted average number of ordinary shares	<b>100,000</b>	100,000
Earnings per share (AED)	<b>2.31</b>	1.89

There were no potentially dilutive securities as at 31 December 2024 or 2023, and accordingly, diluted earnings per share are the same as basic earnings per share.

# Notes to the Financial Statements

31 December 2024

## 36. Social contributions

There are no social contributions made by the Bank during the year (2023: Nil).

## 37. Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse. At 31 December 2024, the market value of such assets amounted to AED 303.4 million (2023: AED 312.3 million) and are excluded from the financial statements of the Bank.

## 38. Legal proceedings

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

## 39. Implementation of corporate tax law & application of IAS 12 income taxes

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 Group's 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.

Below is an analysis of the Bank's income tax recognized during the year:

	2024 AED'000	2023 AED'000
<b>Current tax recognized in profit or loss for the period</b>		
Current tax expense on profits for the year	<b>22,992</b>	-

# Notes to the Financial Statements

31 December 2024

## 39. Implementation of corporate tax law & application of IAS 12 income taxes (continued)

Reconciliation of tax on profit based on accounting and profit as per tax laws is as follows:

	2024 AED'000	2023 AED'000
Accounting profit before taxation	254,305	-
Tax calculated on above accounting profit	22,854	-
Tax effects of:		
Expenses not deductible for tax purposes	138	-
<b>Total income tax expense</b>	<b>22,992</b>	-

	2024 AED'000	2023 AED'000
<b>Current tax refund in other comprehensive income for the period</b>		
Current tax refund for the period recognized on items that will be reclassified subsequently to profit or loss	7,535	-
	<b>7,535</b>	-

	2024 AED'000	2023 AED'000
<b>Deferred tax asset</b>		
Deferred tax asset at the beginning of the period	-	-
Increase during the year recognized on items that may be reclassified subsequently to profit or loss	7,535	-
	<b>7,535</b>	-

For determining the tax expense for the period the accounting profit has been adjusted for tax purposes. Adjustments for tax purpose include items relating to expense. After giving effect to these adjustments the average effective tax rate is estimated to 9.04%.

## 40. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported or require disclosure in the financial statements as at and for the year ended 31 December 2024.



