NATIONAL BANK OF UMM AL-QAIWAIN (PSC)

Consolidated financial statements and independent auditor's report for the year ended 31 December 2024

NATIONAL BANK OF UMM AL-QAIWAIN (PSC)

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بنك أم القيوين
NBQ

CHAIRMAN'S REPORT

On behalf of the Board of Directors, I am pleased to welcome you to the 42nd Annual General Meeting of NBQ and present the annual report for 2024. This report reflects a year of significant growth and resilience, and I am proud to share our accomplishments and our vision for achieving new heights in the years to come.

NBQ achieved a record net profit before tax of AED 551 million in 2024, a 10% year-on-year increase and a net profit after tax of AED 506 million in 2024. Net interest income and operating income also soared by 8% and 6% respectively, reaching AED 657 million and AED 655 million. Driven by strategic loan growth, total assets expanded to AED 17.88 billion, with gross loans and advances at AED 7.96 billion and customer deposits at AED 11.41billion. Reflecting prudent risk management, the Bank maintains a 345% provision coverage ratio including collateral for non-performing loans. NPL ratio improved by 279 bps to reach 4.02 % as of 31 Dec 2024 compared to 6.81% as of 31 Dec 2023 and Cost of Risk is 0.2%. NBQ reported a cost-to-income ratio of 21.5%. This improved efficiency demonstrates the Bank's commitment to cost management and operational excellence.

Demonstrating its financial capability and lending/investment capacity, NBQ maintained shareholders' equity of AED 5.99 billion by year-end. This figure highlights the bank's commitment to strong capital adequacy ratio of 36.23% which further solidifies this stance, ensuring the bank's financial stability and providing a solid foundation for future growth.

We are pleased to propose a cash dividend of 18% of the share capital for the year ended 31 December 2024, approved by the Central Bank of the UAE.

The UAE economy is projected to experience significant growth in both 2024 and 2025. CBUAE has projected growth of 4.00% in 2024, while it is expected to be followed by a more significant increase of 6.1% in 2025.

According to the IMF, UAE's non-oil GDP now accounts for more than 70 percent of its total GDP. The oil industry is projected to see a fall in demand if world major economies continue to grow at a slower rate as compared to 2024. The non-oil sector's upward trajectory is set to be further accelerated by expansionary budgets from both the federal government and individual Emirates. Central Bank of the United Arab Emirates (CBUAE) expects a substantial increase in non-oil economic growth & has projected a growth rate of 5.2% in 2024 and 5.30% in 2025. The UAE economy remains bolstered by sound public and monetary policies that foster financial stability. Tourism, hospitality, real estate, transportation, and manufacturing will continue to boost growth in the non-oil sector.

Maintaining robust corporate governance and ethical conduct remains a top priority for NBQ, ensuring transparency, accountability, and trust. Our strategic focus on market expansion through innovation and cost efficiency optimization aligns with our long-term vision to drive sustainable growth for National Bank of Umm Al-Qaiwain.

On sustainability, NBQ has taken proactive steps in environmental, social, and governance (ESG) areas. These steps not only ensure compliance with industry standards and align with the UAE's vision, but also prioritize continued collaboration and long-term sustainability. Through these efforts, we contribute to a greener future for generations to come.

On behalf of the Board of Directors, we are deeply honoured to express our sincere gratitude to His Highness Sheikh Saud Bin Rashid Al Mualla, Ruler of Umm Al-Qaiwain and Member of the Federal Supreme Council of the United Arab Emirates, for his unwavering support in guiding our development and shaping our strategies. We are truly grateful for his role in our success and remain committed to achieving even greater heights with His Highness's continued support in the years to come.

بنك أم القيوين
NBQ

We would like to express our sincere and whole-hearted appreciation for the ongoing initiatives and support provided by the Central Bank of the UAE in regulating the country's financial sector. We are grateful for their continued guidance and assistance to the bank throughout the year.

Similarly, we extend our sincere appreciation and gratitude to our shareholders, customers, correspondent banks and other stakeholders for their pivotal role in achieving our strategic objectives and maintaining ongoing success in our operations. We are fortunate to have a dedicated team of talented management officials and staff members who are committed and loyal to the bank. We highly value their contributions to the continued success of our operations.

RASHID BIN SAUD AL MUALLA
Chairman

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF UMM AL-QAIWAIN (PSC)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of National Bank of Umm Al-Qaiwain (PSC) (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF UMM AL-QAIWAIN (PSC) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matter (continued)

Key audit matter	*How our audit addressed the key audit matter*
Expected credit losses ("ECL") for loans and advances and Islamic financing receivables Refer to note 6 of the consolidated financial statements. The balance of loss allowances on loans and advances and Islamic financing receivables represents management's best estimates, at the balance sheet date, of the expected credit losses under the expected credit loss models ("ECL Models") as stipulated by International Financial Reporting Standard No. 9: Financial Instruments ("IFRS 9"). Management first assesses whether the credit risk of loans and advances and Islamic financing receivables to customers has increased significantly since their initial recognition, and then applies a three-stage impairment model to calculate the ECL. For loans and advances and Islamic financing receivables classified in stage 1 (no significant increase in credit risk) and stage 2 (with significant increase in credit risk), loss allowances are assessed using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default, discount rates and various macro-economic variables as inputs. For loans and advances and Islamic financing receivables in stage 3 (default and credit-impaired), loss allowances are assessed by estimating the future discounted cash flows from the loans.	We performed the following audit procedures on the computation and reasonableness / appropriateness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2024: • Obtained an understanding of management's assessment of impairment of loans and advances and Islamic financing receivables, the Group's internal rating model, the Group's credit impairment provision policy and the ECL modelling methodology. • We have performed process walkthroughs to identify the controls over the ECL process. We have tested the design and operational effectiveness of the relevant controls relating to the measurement of ECL. • Reviewed the reasonableness and appropriateness of the IFRS 9 methodology and assumptions used in various components of ECL modelling. This typically included challenging key assumptions/judgements relating to significant increase in credit risk, definition of default, probability of default, loss given default, recovery rates and discount rate. • For a sample of exposures, checked the appropriateness of the Group's application of the staging criteria, including the basis for movement between stages.

Report on the audit of the consolidated financial statements (continued)

Key audit matter (continued)

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

Report on the audit of the consolidated financial statements (continued)

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Report on the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF UMM AL-QAIWAIN (PSC) (continued)

Report on the audit of the consolidated financial statements (continued)

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

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

Report on other legal and regulatory requirements

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

- the Group has maintained proper books of accounts;
- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of UAE Federal Decree Law No. 32 of 2021;
- the financial information included in the Charman's report is consistent with the books of account and records of the Group;
- investments in shares and stocks during the year ended 31 December 2024 are disclosed in note 7 to the consolidated financial statements;
- note 28 reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended 31 December 2024, any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, which would materially affect its activities or its consolidated financial position as at 31 December 2024; and
- note 39 reflects the social contributions made during the year.

Report on other legal and regulatory requirements (continued)

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

For Ernst & Young

Ali Eltilib
Registration No: 1118

6 February 2025

Sharjah, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	Notes	**2024 AED '000**	2023 AED '000
Assets			
Cash and balances with the Central Bank of the U.A.E	4	**2,590,559**	2,210,574
Due from other banks	5	**5,294,105**	3,672,158
Loans and advances and Islamic financing receivables	6	**7,775,670**	6,990,754
Investment securities	7	**1,738,624**	1,442,463
Customers' acceptances		**195,937**	186,860
Investment in an associate	8	**252**	420
Property and equipment	9	**72,322**	71,468
Other assets	10	**212,991**	202,462
Total assets		**17,880,460**	14,777,159
Liabilities			
Due to other banks	11	**-**	259
Customers' deposits and Islamic customer deposits	12	**11,405,816**	8,729,229
Customers' acceptances		**195,937**	186,860
Other liabilities	13	**292,772**	219,870
Total liabilities		**11,894,525**	9,136,218
Shareholders' equity			
Share capital	14	**2,000,000**	2,000,000
Statutory reserve	15	**1,019,266**	1,019,266
General reserve		**6,440**	6,440
Impairment reserve -general	17	**81,486**	74,797
Cumulative change in fair values		**515,167**	388,254
Retained earnings		**2,363,576**	2,152,184
Total shareholders' equity		**5,985,935**	5,640,941
Total liabilities and shareholders' equity		**17,880,460**	14,777,159

Rashid Bin Saud Al Mualla
Chairman

Nasser Rashid AbdulAziz AlMoalla
Vice Chairman and
Chairman of Executive Committee

Adnan Al Awadhi
Chief Executive Officer

The attached notes 1 to 41 form an integral part of these consolidated financial statements.
The independent auditor's report on consolidated financial statements is set out on pages 03 - 09.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	**2024 AED ’000**	2023 AED ’000
Interest income	19	**902,425**	762,653
Income from Islamic financing products		**10,786**	13,771
Total interest income and income from Islamic financing products		**913,211**	776,424
Interest expense	19	**(256,499)**	(170,709)
Distribution to depositors – Islamic products		**(63)**	(207)
Net interest income and income from Islamic products net of distribution to depositors		**656,649**	605,508
Net fees and commission income	20	**29,916**	26,991
Other operating income	21	**93,564**	99,140
Gross income		**780,129**	731,639
Operating expenses	22	**(179,781)**	(166,315)
Investment gains	23	**55,105**	52,608
Operating income		**655,453**	617,932
Share of loss from an associate	8	**(309)**	(285)
Profit for the year before impairment		**655,144**	617,647
Net impairment losses	24	**(104,363)**	(115,041)
Profit before tax		**550,781**	502,606
Income tax expense	25	**(44,755)**	-
Profit for the year		**506,026**	502,606
Basic and diluted earnings per share (AED)	26	**0.25**	0.25

The attached notes 1 to 41 form an integral part of these consolidated financial statements.
The independent auditor’s report on consolidated financial statements is set out on pages 03 - 09.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	**2024** **AED ’000**	2023 AED ’000
Profit for the year		**506,026**	502,606
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain on investment securities carried at FVOCI – equity	7	**139,834**	11,315
Share of OCI from an associate		**142**	-
Related tax on other comprehensive income	25	**(738)**	-
Other comprehensive income for the year		**139,238**	11,315
Total comprehensive income for the year		**645,264**	513,921

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Impairment reserve AED'000	Investments cumulative change in fair values AED'000	Retained earnings AED'000	Total AED'000
Balance at 31 December 2022	2,000,000	1,019,266	6,440	34,586	383,710	1,883,018	5,327,020
Profit for the year	-	-	-	-	-	502,606	502,606
Other comprehensive income for the year	-	-	-	-	11,315	-	11,315
Total comprehensive income for the year	-	-	-	-	11,315	502,606	513,921
Provision under Central Bank of the U.A.E requirement over IFRS 9 requirement	-	-	-	40,211	-	(40,211)	-
Sale of FVOCI equity	-	-	-	-	(6,771)	6,771	-
Dividends paid	-	-	-	-	-	(200,000)	(200,000)
Balance at 31 December 2023	2,000,000	1,019,266	6,440	74,797	388,254	2,152,184	5,640,941
Profit for the year	-	-	-	-	-	506,026	506,026
Other comprehensive income for the year	-	-	-	-	139,238	-	139,238
Total comprehensive income for the year	-	-	-	-	139,238	506,026	645,264
Provision under Central Bank of the U.A.E requirement over IFRS 9 requirement	-	-	-	6,689	-	(6,689)	-
Sale of FVOCI equity	-	-	-	-	(12,325)	12,055	(270)
Dividends paid (Note 27)	-	-	-	-	-	(300,000)	(300,000)
Balance at 31 December 2024	**2,000,000**	**1,019,266**	**6,440**	**81,486**	**515,167**	**2,363,576**	**5,985,935**

The attached notes 1 to 41 form an integral part of these consolidated financial statements. The independent auditor's report on consolidated financial statements is set out on pages 03-09.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 AED '000	2023 AED '000
Cash flows from operating activities			
Profit before tax		**550,781**	502,606
Adjustments for:			
Provision for expected credit losses		**94,445**	114,191
Depreciation of property and equipment		**11,757**	13,893
Depreciation of right of use asset		**1,769**	1,729
Provision for Impairment of assets acquired in settlement of debt	24	**9,918**	850
Provision for employee end of service benefits	13.1	**3,540**	2,644
Increase in fair value of investment in securities		**(700)**	(8,734)
Discount amortized on investment securities	7	**(2,618)**	(1,695)
Dividend income	23	**(54,405)**	(41,663)
Gain on disposal of property and equipment		**(3,847)**	(10)
Gain on disposal of assets acquired in settlement of debt		**(4,113)**	(16,856)
Share of loss from an associate	8	**309**	285
Finance cost on lease liability		**76**	33
Operating cash flows before changes in operating assets and liabilities		**606,912**	567,273
Increase in due from banks with original maturity greater than 3 months		**(357,330)**	(301,186)
Increase in statutory deposit with Central Bank of the U.A.E.		**(272,115)**	(180,494)
Increase in loans and advances and Islamic finance receivables		**(870,559)**	(854,655)
Payment of employee end of service benefits	13.1	**(469)**	(1,091)
Proceeds from disposal of assets acquired in settlement of debt		**7,870**	126,356
Increase in other assets		**(24,203)**	(73,684)
Increase in customers' deposits		**2,676,587**	867,253
Increase in other liabilities		**21,073**	34,083
Net cash generated from operating activities		**1,787,766**	183,855
Cash flows from investing activities			
Purchase of property and equipment		**(28,046)**	(13,273)
Proceeds from disposal of property and equipment		**17,513**	16
Purchase of investment securities	7	**(273,770)**	(193,406)
Proceeds from maturity and disposal of investment securities	7	**118,935**	110,043
Dividend received from investment securities	23	**54,405**	41,663
Net cash used in from investing activities		**(110,963)**	(54,957)
Cash flows from financing activities			
Dividends paid		**(300,000)**	(200,000)
Lease payments		**(1,775)**	(905)
Net cash flows used in financing activities		**(301,775)**	(200,905)
Net increase /(decrease) in cash and cash equivalents		**1,375,028**	(72,007)
Cash and cash equivalents at the beginning of the year	29	**3,927,853**	3,999,860
Cash and cash equivalents at the end of the year	29	**5,302,881**	3,927,853

The attached notes 1 to 41 form an integral part of these consolidated financial statements.
The independent auditor's report on consolidated financial statements is set out on pages 03 - 09.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

1. Corporate information

National Bank of Umm Al-Qaiwain (PSC) (the "Bank") is a Public Shareholding Company incorporated in the Emirate of Umm Al-Qaiwain ("UAQ") in the United Arab Emirates ("U.A.E.") by Amiri Decree Number (1) on January 5, 1982, issued by His Highness, the Ruler of Umm Al-Qaiwain, and commenced its operations with effect from August 1, 1982.

The consolidated financial statements for the year ended 31 December 2024 are prepared for the Bank and its subsidiary (together referred to as 'the Group').

The Group comprises National Bank of Umm Al-Qaiwain (PSC), Umm Al-Qaiwain, and Twin Towns Marketing Management (L.L.C.-SO), Dubai (see Note 3.2). The address of the Bank's registered Head Office is P.O. Box 800, Umm Al-Qaiwain, United Arab Emirates.

The Group is engaged in providing retail and corporate banking services through a network of 10 branches in U.A.E.

The Group carries out Islamic banking operations through an Islamic banking window established in 2005 across all its branch network. During the year 2022, the Bank has decided to run down the portfolio of Islamic window and to continue with existing Islamic portfolio only. As per the run down plan approved by the Internal Shari'ah Supervision Committee, this is expected to be completed by year 2025.

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

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

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

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

None of these amendments had an impact on the Group's consolidated financial statements at 31 December 2024.

- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures

Sustainability related information required by the above accounting standards are disclosed in the Integrated Report of the Bank.

2.2 Standards issued but not yet effective

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

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

2.2 Standards issued but not yet effective (continued)

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

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

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

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

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

In addition, the Bank is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the consolidated financial statements, however, the assessment is yet to be concluded.

i. IFRS 18 Presentation and Disclosure in Financial Statements

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

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

2.2 Standards issued but not yet effective (continued)

i. IFRS 18 Presentation and Disclosure in Financial Statements (continued)

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

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

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

3. Material accounting policy information

Statement of compliance
The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates.

3.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Arab Emirates Dirhams (AED) (in thousands, except where noted), which is the functional currency of the Group, and the presentation currency for the consolidated financial statements. The principal accounting policies adopted are set out below.

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

3.2 Basis of consolidation

The consolidated financial statements of National Bank of Umm Al-Qaiwain (PSC) and Subsidiary (the "Group") incorporate the financial statements of the Bank and entity controlled by the Bank (its Subsidiary).

Control is achieved when the Bank:

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

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

3. Material accounting policy information (continued)

3.2 Basis of consolidation (continued)

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

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

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

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

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

Subsidiary:
Details of the Bank's subsidiary as at 31 December 2024 and 31 December 2023 are as follows:

Name of subsidiary	Proportion of ownership interest	Country of Incorporation	Principal activity
Twin Towns Marketing Management (L.L.C.-SO)	100%	U.A.E.	Marketing management

3.3 Investment in an associate

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. Material accounting policy information (continued)

3.3 Investment in an associate (continued)

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

The requirements of IFRS are applied to determine whether it is necessary to recognise any impairment loss with respect to the Bank's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3.4 Financial Instruments

Classification of financial assets and financial liabilities

Financial assets
On initial recognition, a financial asset is classified and measured: at amortised cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit and Loss (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 Group 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 Group 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.

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Classification of financial assets and financial liabilities (continued)

Financial liabilities
In both the current period and prior period, financial liabilities are classified as other financial liabilities and subsequently measured at amortised cost, except for:

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

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

Business model assessment
The Group makes 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;
- How the performance of the portfolio is evaluated and reported to the Group'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;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Assessment 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 Group 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 Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group'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.

Reclassifications
If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current period and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

Derecognition
Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Measurement of financial assets and financial liabilities

Investment securities
The investment securities' caption in the consolidated statement of financial position includes:

- Quoted debt instruments measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss; and
- Equity securities designated as at FVOCI.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Measurement of financial assets and financial liabilities (continued)

Investment securities (continued)
Gains and losses on such 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 investment.

Financial liabilities
All financial liabilities are measured at amortised cost unless designated at FVTPL.

Impairment

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

- Deposits and balances and due from banks;
- Balances with Central Bank of the U.A.E
- Debt investment securities carried at amortised cost;
- Loans and advances to customers;
- Customer acceptances and other financial assets;
- Loan commitments; and
- Financial guarantees and contracts.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Measurement of ECL (continued)

The Group measures ECL on an individual basis (for Wholesale portfolio), or on a collective basis for portfolios of loans that share similar economic risk characteristics (for Retail portfolio). The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component;(b) the contractual ability to demand repayment and cancel the undrawn commitment is present; and (c) the exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

Credit-impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as timing of coupon payments, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for more than 90 days. However, the cases where the impairment is not recognised for assets beyond 90 days overdue are supported by reasonable information.

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Significant increase in credit risk
The Group monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default.

It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate financing, forward-looking information includes the future prospects of the macroeconomic indicators obtained from regulatory guidelines, economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, financing forward looking information includes the same economic forecasts as corporate financing with additional forecasts of local economic indicators.

The Group allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Group considers the credit risk upon initial recognition of asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal risk grade;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the customer;
- Significant changes in the expected performance and behavior of the customer, including changes in the payment status of customers in the Group and changes in the operating results of the customer; and
- Macroeconomic information: in its models, the Group relies on a broad range of forward looking information as economic inputs along with various transformations of the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Significant increase in credit risk (continued)
Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

The qualitative factors that indicate significant increase in credit risk are reflected in Customer PDs models on a timely basis.

However, the Group also considers qualitative factors to assess if credit risk has increased significantly. A counterparty is "Watch Listed" if there is any deterioration or concern regarding its creditworthiness or cash flows. Watch List accounts are kept in increased focus and enhance monitoring

For retail financing, when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Quantitative factors

Stage	Corporate and Institutional Banking portfolio	Retail portfolio	Due from banks and Investments portfolio
1 » 2	▪ Rating downgrade as per internally defined criteria from the rating assigned at the initial recognition ▪ Restructured ▪ DPD 31-90 days	▪ Restructured portfolio ▪ DPD 31-90 days (inclusive)	▪ Rating downgrade as per internally defined criteria from the rating assigned at the initial recognition ▪ External credit rating of Caa1 to Caa3 to be classified as Stage 2 ▪ B3 credit rating is assigned for unrated investments
1 » 3 2 » 3	▪ Credit impaired portfolio ▪ DPD greater than 90 days	▪ Credit impaired portfolio ▪ DPD > 90 days	External credit rating of C and below to be classified as Stage 3

The Stage assessment indicators, as prescribed by the IFRS 9 standards are detailed below. These are indicative and may be considered by the Bank based on maturity of the exposure and data availability.

1. Change in internal credit spread (or risk premium)
2. Actual or expected change in Internal Credit Rating
3. Actual or expected significant change in operating results of borrower
4. Regulatory, economic, or technological environment of the borrower
5. Quality of guarantee
6. Expected change in loan documentation (covenant waiver, collateral top-up, payment holiday etc.)
7. Changes in bank's credit management approach (or appetite) in relation to the financial instrument
8. Significant difference in rates or terms of newly issued similar contracts
9. Actual or expected change in External Credit Rating
10. Existing or forecast adverse changes in business, financial or economic conditions
11. Significant increase in credit risk on other financial instruments of the same borrower
12. Reductions in financial support from parent entity or credit enhancement quality
13. Significant changes in the expected performance and behaviour or borrower or group.

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Curing Criteria - upward ECL stage movement
The curing criteria is in line with UAE Central Bank IFRS 9 guidelines and is considered based on the combination of the following qualitative factors:

- DPD movement
- Probationary period
- Notches of ratings downward movement

From stage 2 (Lifetime ECL) to stage 1 (12-month ECL)

- Where there is an evidence of a significant reduction in credit risk, financial instruments are monitored for a probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposures from stage 2 to stage 1.
- DPD shall be ≤ 30 days over the last 12 month period; and / or
- Downward movement of risk ratings is reflected as per internally defined criteria.

From stage 3 (Lifetime ECL – credit impaired) to stage 2 (Lifetime ECL – not credit impaired)

- An exposure cannot be upgraded from Stage 3 to 1 directly and should be upgraded to Stage 2 after observing a cooling period of 12 months under Stage 3 and thereafter follow the probation period of 12 months in stage 2 before upgrading to Stage 1. So, an account will have 24 months of cooling period from stage 3 to 1.
- Movement from Stage 3 to Stage 2 or Stage 1 is assessed based on reversal of the original conditions that had led to migration to Stage 3, and such improved performance conditions sustaining for the 'Cure Period' of 12 months.

Restructured or Modified financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Write-offs
Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss as "Other income".

3. Material accounting policy information (continued)

3.4 Financial Instruments (continued)

Impairment (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions in the consolidated statement of financial position and the remeasurement is presented in other revenue.

The Group has not designated any financial guarantee contracts as at FVTPL.

3.5 Due from other banks

Amounts due from other banks are initially recognized at fair value and measured subsequently at amortised cost using the effective interest method. Impairment of amounts due from other banks is assessed as outlined in the accounting policy on financial instruments in note 3.4 above.

3.6 Property and equipment

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight line method to write off the cost of assets to their estimated residual values over their expected useful economic lives as follows:

	Years
Buildings	20
Computer and equipment	1 - 5
Furniture and fixtures	5
Leasehold improvements	3 – 5
Motor vehicles	5

Land is not depreciated, as it is deemed to have an infinite life.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the consolidated statement of income when the expenditure is incurred. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, being the higher of the fair value less costs to sell and value in use.

3. Material accounting policy information (continued)

3.7 Assets acquired in settlement of debt

Assets acquired in settlement of debt are stated at lower of cost or net realisable value. Directly attributable cost incurred in the acquisition of inventory is included as part of the cost of the asset. Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date.

3.8 Impairment of tangible assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.9 Due to other banks and customer deposits

Due to banks and customer deposits are initially measured at fair value plus directly attributable transaction costs. Subsequently, these are measured at amortised cost using the effective interest method except where the Group chooses to carry the liabilities at fair value through the consolidated statement of income. Amortised cost is calculated by taking into account any discount or premium on settlement.

3.10 Employees' end of service benefits

Pension contributions are made in respect of U.A.E. nationals to the U.A.E. General Pension and Social Security Authority in accordance with the U.A.E. Federal Law No (7), 1999 for Pension and Social Security. A provision is made for the full amount of end of service benefits due to the non-U.A.E. nationals in accordance with the U.A.E. Labour Law, for their periods of service up to the reporting date. This provision is included in other liabilities.

Management measures the employees' end of service benefits payable under the U.A.E. Labour law. Under this method an assessment is made of employee's expected service life with the Group and the expected basic salary at the date of leaving the service.

3. Material accounting policy information (continued)

3.11 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation. When a provision is measured using the cash flows estimated to settle the present obligations, its amount is the present value of those cash flows (when the effect of the time value of money is material.

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

3.12 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred, and are subsequently stated at amortised cost using effective interest rate method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

3.13 Foreign currencies

Items included in the consolidated financial statements of the Group are measured in AED which is the functional currency of the primary economic environment in which the Group operates. Foreign currency transactions are translated into AED at the rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the rates ruling at the reporting date. Any resultant gains or losses are accounted for in the consolidated statement of income.

3.14 Derivative instruments

Derivative instruments, comprising forward foreign exchange contracts, are initially recognised at fair value on the date on which a derivative contract is entered. All forward foreign exchange contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of the forward foreign exchange contracts are included in foreign exchange trading income in the consolidated statement of income.

3.15 Interest income and expense

Interest income and expense are recognised in the consolidated statement of income for all financial instruments measured at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently unless re-priced.

When calculating effective interest rates, the Group estimates cash flows considering all contractual terms of the financial instruments excluding future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3. Material accounting policy information (continued)

3.15 Interest income and expense (continued)

Income from Islamic financing products
The Group's policy for recognition of income from Islamic financing products is described in Note 3.22.

3.16 Fees and commission income

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

- Fee income earned from services that are provided over a certain period of time; and
- Fee income earned from providing transaction services.

The Group earns commission income from issue of documentary credits and letters of guarantee. The commission income is recognised on a straight-line basis over the period for which the documentary credits and guarantees are issued. Fee income on issue of letters of credit and guarantees is recognised when the underlying transaction is affected.

Other fees and commission income, including account servicing fees, placement fees and syndication fees, are recognised as the related services are performed.

'Fees and commissions receivables' which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) included under 'Other assets'. These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

3.17 Rental and dividend income

Rental income is recognised on a straight-line basis over the term of the relevant lease. Dividend income is recognised when the Group's right to receive the payment is established.

3.18 Taxation

Income tax expense comprises of current and deferred tax.

Income Tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. Material accounting policy information (continued)

3.18 Taxation (continued)

Deferred tax

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 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 all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

3.19 Earnings per share

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

3.20 Acceptances

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

3.21 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, money in current and call accounts and placements with original maturity of less than three months, excluding the minimum reserve deposits required to be maintained with the Central Bank of the U.A.E.

3. Material accounting policy information (continued)

3.22 Islamic financing products

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

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

Definitions
The following terms are used in Islamic financing:

Murabaha
A sales agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired and the customer will pay the commodity price on an instalment basis over a specific period. The selling price comprises the cost of the commodity and an agreed profit margin.

Mudaraba
A profit sharing agreement between the Group and the customer whereby the customer provides the funds and the Group invests the funds in a specific enterprises or activity and any profits generated are distributed accordingly to the terms and conditions of the profit sharing agreement. The customer bears the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba.

Wakala (Investment agency)
An agreement whereby the customer appoints the Group to invest a certain sum of money according to the terms and conditions of the Wakala in return for a certain fee and any profit exceeding the expected profit. The Group will bear any loss as a result of the misconduct, negligence or violation of the terms and conditions of the Wakala.

Under the Islamic Banking front, the Bank has set up a cap limit for creating the Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR). PER and IRR will not be applied once the reserve amount achieves the limit.

Accounting policy
Islamic financing products are measured at amortised cost, using the effective profit method, less any amounts written off, allowance for doubtful accounts and unearned income, if any.

The effective profit rate is the rate that exactly discounts estimated future cash flow through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Allowance for impairment is made against Islamic financing and investing products when their recovery is in doubt taking into consideration IFRS requirements (as explained in Note 3.4). Islamic financing and investing products are written off only when all possible course of action to achieve recovery have proven unsuccessful.

Revenue recognition policy
Income from Islamic financing and investing assets are recognised in the consolidated statement of income using the effective profit method.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

3. Material accounting policy information (continued)

3.22 Islamic financing products (continued)

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

Distributions to depositors (Islamic products) represents the share of income allocated to depositors of the Group. The distributions are calculated, allocated and distributed according to the Islamic Banking unit's standard procedures and are approved by the Islamic Banking unit's Sharia'a Supervisory Board.

3.23 Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Business model assessment
Classification and measurement of financial assets depends on the results of the solely payments of principal and interest (SPPI) and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk
ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. A significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

Establishing groups of assets with similar credit risk characteristics
When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. product type). The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

3. Material accounting policy information (continued)

3.23 Critical accounting estimates and judgements (continued)

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario.
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default
PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Expectations of future conditions are also incorporated in modelling of LGD estimates.

Models and assumptions used
The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Group incorporated the latest available macroeconomic inputs into the ECL model to reflect the change in the macroeconomic forecast with details covered in notes (31) of these consolidated financial statements.

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

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

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

3. Material accounting policy information (continued)

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of each operating segment are reviewed regularly by the Executive Committee of the Bank (referred to as the "ExCo") to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.25 Lease

The Group 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. The Group applies a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

4. Cash and balances with the Central Bank of the U.A.E.

	2024 AED'000	2023 AED'000
Balances with the Central Bank of the U.A.E.:		
Current account	**59,354**	36,376
Statutory cash reserve deposit	**755,039**	482,924
Monetary Bills	**714,703**	832,422
Overnight deposits	**975,000**	780,000
	2,504,096	2,131,722
Cash in hand	**86,463**	78,852
	2,590,559	2,210,574

The statutory deposit with the Central Bank of the U.A.E. is not available to finance the day to day operations of the Group and is excluded from cash and cash equivalents in Note 29.

All the balances are classified as stage 1 as at 31 December 2024. (31 December 2023: Stage 1)

5. Due from other banks

	2024 AED'000	2023 AED'000
Term deposits	**3,675,609**	2,650,039
Current accounts	**26,824**	27,915
Loans to banks	**1,595,131**	995,383
Total due from other banks	**5,297,564**	3,673,337
Provision for expected credit loss	**(3,459)**	(1,179)
Net due from other banks	**5,294,105**	3,672,158

	2024 AED'000	2023 AED'000
Gross amounts due from other banks by geographical area		
Within U.A.E.	**2,301,907**	1,830,960
Within GCC	**1,761,810**	423,240
Other countries	**1,233,847**	1,419,137
	5,297,564	3,673,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

5. Due from other banks (continued)

	2024 AED'000	2023 AED'000
Gross amounts due from other banks by currency		
AED	**616,000**	723,000
USD	**4,674,679**	2,930,611
SAR	**119**	193
Others	**6,766**	19,533
	5,297,564	3,673,337

An analysis of due from other banks based on external credit ratings is as follows:

	2024 AED'000	2023 AED'000
AA−	**569,413**	376,962
A+	**909,936**	268,608
A	**287,939**	356,394
A−	**91,825**	46
BBB+	**1,905,076**	1,256,694
BBB−	**1,351,686**	1,285,562
BB+	**53,132**	128,692
BB	**-**	103
BB-	**55,095**	274
B+	**73,460**	-
B-	**2**	2
	5,297,564	3,673,337

Due from banks stage-wise analysis
The following table contains an analysis of the credit risk exposure of due from other banks. The gross carrying amount of due from other banks, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

	31 December 2024			
	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Outstanding balance	**5,297,564**	**-**	**-**	**5,297,564**
Provision for expected credit loss	**(3,459)**	**-**	**-**	**(3,459)**
Carrying amount	**5,294,105**	**-**	**-**	**5,294,105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

5. Due from other banks (continued)

Due from banks stage-wise analysis (continued)

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Outstanding balance	3,673,337	-	-	3,673,337
Provision for expected credit loss	(1,179)	-	-	(1,179)
Carrying amount	3,672,158	-	-	3,672,158

There have been no movements between stages in respect of assets due from other banks during 31 December 2024 (31 December 2023-No stage movement).

Movement in the provision for expected credit loss of due from banks

	Stage 1	***Stage 2***	***Stage 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
ECL allowances as at 31 December 2023	**1,179**	**-**	**-**	**1,179**
Net impairment charged during the period	**2,280**	**-**	**-**	**2,280**
Closing balance as at 31 December 2024	**3,459**	**-**	**-**	**3,459**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
ECL allowances as at 31 December 2022	1,105	-	-	1,105
Net impairment charged during the period	74	-	-	74
Closing balance as at 31 December 2023	1,179	-	-	1,179

6. Loans and advances and Islamic financing receivables

	2024	2023
	AED'000	AED'000
Loans	**6,181,071**	5,598,324
Overdrafts	**787,151**	775,728
Islamic financing products	**112,909**	145,100
Loans against trust receipts	**346,104**	146,736
Syndicated Loans	**501,978**	432,883
Other	**31,372**	73,793
Total loans and advances and Islamic financing receivables	**7,960,585**	7,172,564
Provision for expected credit loss	**(184,915)**	(181,810)
Net loans and advances and Islamic financing receivables	**7,775,670**	6,990,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

6. Loans and advances and Islamic financing receivables (continued)

	2024 AED'000	2023 AED'000
By economic sector		
Real estate	**2,830,709**	3,037,379
Wholesale and retail trade	**1,502,640**	1,092,595
Financial institutions	**775,838**	205,849
Individual loans for business	**740,173**	617,944
Manufacturing	**490,493**	385,689
Personal loans and other	**375,831**	408,287
Transport and communication	**340,628**	211,240
Government	**147,373**	272,891
Construction	**49,219**	66,586
Other services	**707,681**	874,104
	7,960,585	7,172,564

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

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Gross carrying amount as at 31 December 2023	**6,023,514**	**660,706**	**488,344**	**7,172,564**
New assets originated	**3,003,323**	**117,625**	**1,017**	**3,121,965**
Assets derecognised /repaid	**(1,985,189)**	**(148,739)**	**(117,479)**	**(2,251,407)**
Transfer to Stage 1	**3,465**	**(3,465)**	**-**	**-**
Transfer to Stage 2	**(21,996)**	**21,996**	**-**	**-**
Transfer to Stage 3	**(12,803)**	**(18,214)**	**31,017**	**-**
Write off	**-**	**-**	**(82,537)**	**(82,537)**
As at 31 December 2024	**7,010,314**	**629,909**	**320,362**	**7,960,585**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross carrying amount as at 31 December 2022	5,461,704	495,712	622,672	6,580,088
New assets originated	1,367,986	8,721	-	1,376,707
Assets derecognised /repaid	(387,274)	(61,664)	(73,115)	(522,053)
Transfer to Stage 1	30,891	(30,891)	-	-
Transfer to Stage 2	(361,077)	397,300	(36,223)	-
Transfer to Stage 3	(88,716)	(148,472)	237,188	-
Write off	-	-	(262,178)	(262,178)
As at 31 December 2023	6,023,514	660,706	488,344	7,172,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

6. Loans and advances and Islamic financing receivables (continued)

Movement in the provision for expected credit loss of loans and advances and Islamic financing receivables:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
ECL allowances as at 31 December 2023	**47,727**	**33,347**	**100,736**	**181,810**
Net impairment charged during the period	**(5,876)**	**11,762**	**87,288**	**93,174**
Recoveries	**-**	**-**	**(7,532)**	**(7,532)**
Transfer to Stage 1	**59**	**(59)**	**-**	**-**
Transfer to Stage 2	**(582)**	**582**	**-**	**-**
Transfer to Stage 3	**(53)**	**(349)**	**402**	**-**
Written off	-	-	**(82,537)**	**(82,537)**
Closing Balance as at 31 December 2024	**41,275**	**45,283**	**98,357**	**184,915**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
ECL allowances as at 31 December 2022	41,744	68,820	223,281	333,845
Net impairment charged during the period	7,834	211	127,978	136,023
Recoveries	-	-	(25,880)	(25880)
Transfer to Stage 1	2,221	(2,221)	-	-
Transfer to Stage 2	(4,072)	4,072	-	-
Transfer to Stage 3	-	(37,535)	37,535	-
Written off	-	-	(262,178)	(262,178)
Closing Balance as at 31 December 2023	47,727	33,347	100,736	181,810

Grading of loans and advances and Islamic financing receivables along with stages:

	31 December 2024			
	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Performing (Grades 1-9)	**7,010,314**	**4,772**	-	**7,015,086**
Performing Watchlist (10-12)	-	**625,137**	-	**625,137**
Sub Standard (Grade 13)	-	-	**56,973**	**56,973**
Doubtful (Grade 14)	-	-	**45,901**	**45,901**
Loss (Grades 15)	-	-	**217,488**	**217,488**
Total gross carrying amount	**7,010,314**	**629,909**	**320,362**	**7,960,585**
Expected credit loss	**(41,275)**	**(45,283)**	**(98,357)**	**(184,915)**
Carrying amount	**6,969,039**	**584,626**	**222,005**	**7,775,670**

6. Loans and advances and Islamic financing receivables (continued)

Grading of loans and advances and Islamic financing receivables along with stages: (continued)

	31 December 2023			
	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Performing (Grades 1-9)	6,023,514	5,830	-	6,029,344
Performing Watchlist (10-12)	-	654,876	-	654,876
Sub Standard (Grade 13)	-	-	98,899	98,899
Doubtful (Grade 14)	-	-	150,715	150,715
Loss (Grades 15)	-	-	238,730	238,730
Total gross carrying amount	6,023,514	660,706	488,344	7,172,564
Expected credit loss	(47,727)	(33,347)	(100,736)	(181,810)
Carrying amount	5,975,787	627,359	387,608	6,990,754

The stage 3 loans as at 31 December 2024 amounted to AED 320,362 thousand (31 December 2023: AED 488,344 thousand) which is covered by collateral of AED 1,008,027 thousand (31 December 2023: AED 1,177,955 thousand) and provision for expected credit loss of AED 98,357 thousand (31 December 2023: AED 100,736 thousand) aggregating to AED 1,106,384 thousand (31 December 2023: AED 1,278,691 thousand) which is 3.45 times (31 December 2023: 2.62 times) of the stage 3 loans.

7. Investment securities

	2024 AED'000	2023 AED'000
Securities at FVTPL		
Quoted equity securities	**24,366**	23,780
Discretionary funds managed by third parties – quoted equity securities	**247**	211
	24,613	23,991
Securities at FVOCI		
Quoted equity securities	**1,003,809**	912,772
Unquoted equity securities	**50,886**	42,232
	1,054,695	955,004
Securities at amortised cost		
Quoted debt instruments	**661,553**	463,879
Total investment securities	**1,740,861**	1,442,874
Provision for expected credit loss	**(2,237)**	(411)
Net investment securities	**1,738,624**	1,442,463

7. Investment securities (continued)

Gross investment securities by geographical area

	2024 **AED'000**	2023 AED'000
Within U.A.E.	**1,485,641**	1,199,960
Within GCC	**205,527**	201,875
Other countries	**49,693**	41,039
	1,740,861	1,442,874

Gross investment securities by currency

	2024 **AED'000**	2023 AED'000
AED	**1,054,263**	934,061
USD	**686,239**	474,697
Others	**359**	34,116
	1,740,861	1,442,874

All debt investments are classified as Stage 1 (31 December 2023: Stage 1) with corresponding ECL of AED 2,237 thousand (31 December 2023: AED 411 thousand).

Quoted debt securities aggregating AED 661,553 thousand (2023: AED 463,879 thousand) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and prices of which are available on internationally recognized platforms of Reuters and Bloomberg and are liquid in normal market conditions.

	2024 **AED '000**	2023 AED '000
Movement in investment securities:		
Balance as at 1 January	**1,442,874**	1,337,767
Purchase of investment securities	**273,770**	193,406
Disposal and maturity of investment securities	**(118,935)**	(110,043)
Net fair value gain on investment securities at FVTPL	**703**	8,609
Net discount amortised on investment securities at amortised cost	**2,618**	1,695
Foreign exchange revaluation	**(3)**	125
Net fair value gain on investment securities at FVOCI	**139,834**	11,315
Balance as at 31 December	**1,740,861**	1,442,874

7. Investment securities (continued)

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

	2024	2023
	AED ’000	AED ’000
AA	**157,326**	157,649
AA-	**80,005**	
BBB+	**183,484**	121,209
BB+	**21,966**	167,759
BB	**146,472**	-
B	**36,730**	-
Unrated*	**35,570**	17,262
	661,553	463,879

*Unrated investments represents the investments made in Government related Companies.

Debt investments stage-wise analysis

The following table contains an analysis of the credit risk exposure of debt investments and Islamic instruments. The gross carrying amount of debt investments, including accrued interest / profit, represents the Group’s maximum exposure to credit risk on these assets:

	31 December 2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	AED’000	***AED’000***	***AED’000***	***AED’000***
Outstanding balance	**661,553**	**-**	**-**	**661,553**
Provision for expected credit loss	**(2,237)**	**-**	**-**	**(2,237)**
Carrying amount	**659,316**	**-**	**-**	**659,316**

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	AED’000	*AED’000*	*AED’000*	*AED’000*
Outstanding balance	463,879	-	-	463,879
Provision for expected credit loss	(411)	-	-	(411)
Carrying amount	463,468	-	-	463,468

Debt investments are in stage 1 throughout the period. Accordingly, there have been no significant movements between stages in respect of these financial assets.

7. Investment securities (continued)

Movement in the provision for expected credit loss of investment securities

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
ECL allowances as at 31 December 2023	**411**	**-**	**-**	**411**
Net impairment charged during the period	**1,826**	**-**	**-**	**1,826**
Closing balance as at 31 December 2024	**2,237**	**-**	**-**	**2,237**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
ECL allowances as at 31 December 2022	435	-	-	435
Net impairment charged during the period	(24)	-	-	(24)
Closing balance as at 31 December 2023	411	-	-	411

8. Investment in an associate

The details of associate is as follows:

Name of the associate	**Principal activity**	**Place of incorporation**	**Ownership (%)**	**2024 AED'000**	2023 AED'000
Tasareeh Business Men Center LLC	Providing visa application and renewal services, other business men services.	Dubai, UAE	30%	**252**	420

Movement in the investment in an associate for the year:

	2024 AED '000	2023 AED '000
Balance as at 1 January	**420**	705
Share of losses from an associate	**(309)**	(285)
Share of OCI from an associate	**141**	-
Balance as at 31 December	**252**	420

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9. Property and equipment

	Land and buildings* AED'000	Computers and equipment** AED'000	Furniture and fixtures AED'000	Right use assets and Leasehold Improvements AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost							
31 December 2022	138,323	133,945	5,853	14,403	549	3,691	296,764
Additions	-	4,828	68	-	-	8,374	13,270
Disposals	-	(1,539)	(103)	(409)	-	-	(2,051)
Transfers	-	6,194	-			(6,194)	-
31 December 2023	**138,323**	**143,428**	**5,818**	**13,994**	**549**	**5,871**	**307,983**
Additions	54	5,178	79	3,915	369	18,451	28,046
Disposals	(27,848)	(281)	(91)	(883)	(240)	(18)	(29,361)
Transfers	-	6,692	-	850	-	(7,542)	-
31 December 2024	**110,529**	**155,017**	**5,806**	**17,876**	**678**	**16,762**	**306,668**
Accumulated depreciation							
31 December 2022	90,000	116,444	5,774	10,274	446	-	222,938
Charge for the year	5,931	7,481	94	2,055	61	-	15,622
Eliminated on disposals	-	(1,533)	(103)	(409)	-	-	(2,045)
31 December 2023	95,931	122,392	5,765	11,920	507	-	236,515
Charge for the year	2,980	8,242	73	2,122	109	-	13,526
Eliminated on disposals	(14,203)	(278)	(91)	(883)	(240)	-	(15,695)
31 December 2024	**84,708**	**130,356**	**5,747**	**13,159**	**376**	**-**	**234,346**
Net carrying amount							
31 December 2024	**25,821**	**24,661**	**59**	**4,717**	**302**	**16,762**	**72,322**
31 December 2023	42,392	21,036	53	2,074	42	5,871	71,468

*Land and buildings include land costing AED 22.9 million (2023: AED 22.9 million) which is not depreciated. Capital work in progress represents expenditure incurred on land and buildings, computer and equipment, furniture and fixtures and leasehold improvements.
**Net carrying amount of software included in Computers and equipment amounts to AED 13.73 million as at 31 December 2024. (AED 9.19 million as at 31 December 2023)

10. Other assets

	2024 AED '000	2023 AED '000
Interest receivable	**91,108**	55,422
Assets acquired in settlement of debt*	**65,126**	78,804
Cash in transit	**28,610**	46,633
Prepayments and deposits	**8,858**	11,558
Commission receivable	**4,971**	4,872
Sundry assets	**14,318**	5,173
	212,991	202,462

* During 2024, the Group has recorded an impairment on its assets acquired in settlement of debt amounting to AED 9,918 thousand (2023: AED 850 thousand)

11. Due to other banks

	2024 AED '000	2023 AED '000
Current accounts	**-**	259
	-	259

By geographical area

	2024 AED '000	2023 AED '000
Other countries outside U.A.E.	**-**	259
	-	259

12. Customers' deposits and Islamic customer deposits

	2024 AED '000	2023 AED '000
Time deposits	**5,669,693**	4,678,177
Current accounts	**4,190,182**	2,923,100
Call deposits	**1,271,658**	846,788
Savings deposits	**158,306**	163,277
Islamic Customer deposits	**73,392**	62,635
Margin deposits	**42,585**	55,252
	11,405,816	8,729,229

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13. Other liabilities

	2024 **AED '000**	2023 AED '000
Interest payable	**97,926**	79,546
Cheques on selves	**44,982**	50,445
Provision for Income tax (Note 13.2)	**45,025**	-
Accounts payable	**28,063**	29,147
Provision for employees' end of service benefits (Note 13.1)	**24,469**	21,398
Other staff benefits payable	**1,915**	1,096
Provision for expected credit loss on commitments and contingencies (Note 18)	**11,146**	6,382
Provision for expected credit loss on acceptance	**230**	331
Dividend payable	**8,723**	8,723
Lease liability	**2,536**	1,948
Deferred tax liability (Note 13.3)	**738**	-
Other	**27,019**	20,854
	292,772	219,870

13.1 Movement in provision for employees' end of service benefits:

	2024 **AED '000**	2023 AED '000
Balance as at 1 January	**21,398**	19,845
Provision made during the year	**3,540**	2,644
Payments made during the year	**(469)**	(1,091)
Balance as at 31 December	**24,469**	21,398

13.2 Movement in current tax provision:

	2024 **AED '000**	2023 AED '000
Provision made during the year	**45,025**	-
Balance as at 31 December	**45,025**	-

13.3 Movement in deferred tax provision:

	2024 **AED '000**	2023 AED '000
Tax expense during the period recognised in OCI (Note 25)	**738**	-
Balance as at 31 December	**738**	-

13.4 Deferred tax

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2024	2023	**2024**	2023
	AED ’000	AED ’000	**AED ’000**	AED ’000
Revaluation of financial investments — equity instruments at fair value through OCI	**738**	-	**738**	-
Deferred tax expense			**738**	**-**
Net deferred tax liabilities	**738**	**-**		

14. Share capital

	2024	2023
	AED ’000	AED ’000
Issued and fully paid:		
2,000 million ordinary shares of AED 1 each	**2,000,000**	2,000,000
(2023- 2,000 million ordinary shares of AED 1 each)		

15. Statutory reserve

In accordance with the UAE Federal Law No (32) of 2021, as amended, and the Decretal Federal Law No. (14) of 2018, 10% of the profit for the year is transferred to a statutory reserve until such time as the balance in the reserve equals 50% of the paid up share capital. No profit was transferred in the current year to the statutory reserve, as it exceeds 50% of the issued share capital of the Group. This reserve is not available for distribution.

16. General reserve

The Group maintains a general reserve and the contributions to this reserve are made at the discretion of the Directors. This reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the Group at an Ordinary General Meeting.

17. Impairment Reserve under the Central Bank of the U.A.E (“CBUAE”)

The CBUAE issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE (the “Guidance”). The guidance requires the reconciliation between general and specific provision under circular 28/2010 of CBUAE and IFRS 9.

The Central Bank issued the new Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25 July 2024, which apply to all financial institutions licensed by the Central Bank that provide credit facilities. As per the clause 9.21 (b) and 9.26 of this circular, the reconciliation between prescribed minimum provision and provision computed under accounting standards are as follows:

	2024	2023
	AED ’000	AED ’000
Impairment Reserve: General		
General Provisions under Circular No. 3/2024 of CBUAE	**184,786**	155,871
Less: Stage 1 & Stage 2 provisions under IFRS 9	**(103,300)**	(81,074)*
General Provision transferred to impairment reserve**	**81,486**	74,797

17. Impairment Reserve under the Central Bank of the U.A.E ("CBUAE") (continued)

	2024	2023
	AED '000	AED '000
Impairment Reserve: Specific		
Specific Provisions under Circular No. 3/2024 of CBUAE	**98,357**	100,736
Less: Stage 3 provisions under IFRS 9	**(98,357)**	(100,736)
Specific Provision transferred to impairment reserve	**-**	-

* Contains Stage 1 and Stage 2 provision for loans and advances and Islamic financing receivables only.
** The amount is transferred to a dedicated non-distributable impairment reserve-general as an appropriation from the retained earnings.

18. Commitments and contingencies

a) The contractual amounts of the Group's commitments and contingencies are as follows:

	2024	2023
	AED '000	AED '000
Guarantees	**1,510,937**	1,602,730
Letters of credit	**130,530**	102,471
	1,641,467	1,705,201
Commitments to extend credit*	**1,200,050**	1,035,117
	2,841,517	2,740,318

*ECL for commitments to extend credit as at 31 December 2024 amounts to AED 4,495 thousand (31 December 2023: AED 5,893 thousand) out of which AED 1,910 thousand (31 December 2023: AED 1,399 thousand) pertains to loans and advances and AED 2,585 thousand (31 December 2023: AED 4,494 thousand) pertains to contingencies and commitments.

	2024	2023
	AED '000	AED '000
By geographical area		
Within the U.A.E.	**2,710,381**	2,637,154
Outside the U.A.E.	**131,136**	103,164
	2,841,517	2,740,318

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

Letters of credit are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group, up to a stipulated amount, under specific terms and conditions. These letters of credit are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

18. Commitments and contingencies (continued)

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

While there is some risk associated with the remainder of commitments, the risk is viewed as low-modest, since it results firstly from the possibility of the unused portion of loan authorizations being drawn by the customer, and second, from these drawings subsequently not being repaid as due. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of risk than shorter term commitments.

b) Capital commitments

At 31 December 2024, the Group has capital commitments of AED 5,697 thousand (2023: AED 5,865 thousand).

Off balance sheet exposures stage-wise analysis

The following table contains an analysis of the credit risk of relevant off balance sheet exposures and the related ECL. The gross carrying amount of off balance sheet exposures below represents the Group's maximum exposure to credit risk on these assets:

	31 December 2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Outstanding balance	**1,589,266**	**6,412**	**45,789**	**1,641,467**
Allowances for impairment (ECL)	**(10,740)**	**(76)**	**(330)**	**(11,146)**
Carrying amount	**1,578,526**	**6,336**	**45,459**	**1,630,321**

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Outstanding balance	1,632,332	1,724	71,145	1,705,201
Allowances for impairment (ECL)	(6,382)	-	-	(6,382)
Carrying amount	1,625,950	1,724	71,145	1,698,819

Movement in the gross balance of commitment and contingencies

Outstanding balance	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Gross carrying amount – 31 December 2023	**1,632,332**	**1,724**	**71,145**	**1,705,201**
Increase in commitments	**316,660**	**-**	**-**	**316,660**
Decrease in commitments	**(358,341)**	**(1,174)**	**(20,879)**	**(380,394)**
Transferred to Stage 2	**(1,000)**	**5,862**	**(4,862)**	**-**
Transferred to Stage 3	**(385)**	**-**	**385**	**-**
Gross carrying amount – 31 December 2024	**1,589,266**	**6,412**	**45,789**	**1,641,467**

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18. Commitments and contingencies (continued)

Movement in the gross balance of commitment and contingencies (continued)

Outstanding balance	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross carrying amount - 31 December 2022	1,623,772	17,043	41,529	1,682,344
Increase in commitments	354,779	1,461	935	357,175
Decrease in commitments	(326,003)	(6,710)	(1,605)	(334,318)
Transferred to Stage 1	74	-	(74)	-
Transferred to Stage 2	(406)	406	-	-
Transferred to Stage 3	(19,884)	(10,476)	30,360	-
Gross carrying amount – 31 December 2023	1,632,332	1,724	71,145	1,705,201

Movement in the expected credit loss of commitment and contingencies:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
ECL allowances as at 31 December 2023	**6,382**	**-**	**-**	**6,382**
Increase in commitments	**10,023**	**52**	**363**	**10,438**
Decrease in commitments	**(5,663)**	**23**	**-**	**(5,640)**
Transfer to Stage 2	**(1)**	**1**	**-**	**-**
Transfer to Stage 3	**(1)**	**-**	**1**	**-**
Write off	**-**	**-**	**(34)**	**(34)**
Closing balance as at 31 December 2024	**10,740**	**76**	**330**	**11,146**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
ECL allowances as at 31 December 2023	2413	98	-	2511
Increase in commitments	4819	-	-	4819
Decrease in commitments	(815)	(63)	(70)	(948)
Transfer to Stage 3	(35)	(35)	70	-
Closing balance as at 31 December 2023	6,382	-	-	6,382

The provision for ECL against the off-balance sheet exposures disclosed above, amounting to AED 11,146 thousand (2023: AED 6,382 thousand) is classified under other liabilities.

Grading of commitment and contingencies along with stages:

	31 December 2024			
	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Performing (Grades 1-9)	**1,589,266**	**5,861**	**-**	**1,595,127**
Performing watch list (Grades 10-12)	**-**	**551**	**-**	**551**
Sub Standard (Grade 13)	**-**	**-**	**1,840**	**1,840**
Loss (Grades 15)	**-**	**-**	**43,949**	**43,949**
Total gross carrying amount	**1,589,266**	**6,412**	**45,789**	**1,641,467**
Expected credit loss	**(10,740)**	**(76)**	**(330)**	**(11,146)**
Carrying amount	**1,578,526**	**6,336**	**45,459**	**1,630,321**

18. Commitments and contingencies (continued)

Grading of commitment and contingencies along with stages: (continued)

	31 December 2023			
	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Performing (Grades 1-9)	1,632,332	1,461	-	1,633,793
Performing watch list (Grades 10-12)	-	263	-	263
Sub Standard	-	-	19,825	19,825
Doubtful (Grade 14)	-	-	8,777	8,777
Loss (Grades 15)	-	-	42,543	42,543
Total gross carrying amount	1,632,332	1,724	71,145	1,705,201
Expected credit loss	(6,382)		-	(6,382)
Carrying amount	1,625,950	1,724	71,145	1,698,819

19. Interest income and expense

	2024 AED '000	2023 AED '000
Interest income		
Loans and advances	**519,664**	457,518
Deposits with the Central Bank of the U.A.E.	**126,362**	120,407
Due from other banks	**229,170**	168,778
Investment in debt securities	**27,229**	15,950
	902,425	762,653

	2024 AED '000	2023 AED '000
Interest expense		
Financial liabilities at amortised cost		
Customers' deposits	**256,313**	169,132
Interest expense other financial and non financial liabilities	**186**	1,577
	256,499	170,709

20. Net fees and commission income

	2024 AED'000	2023 AED'000
Fees and commission income	**33,175**	29,930
Fees and commission expenses	**(3,259)**	(2,939)
Net fees and commission income	**29,916**	26,991

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21. Other operating income

	2024 AED '000	2023 AED '000
Recoveries from written off customers	**68,227**	63,308
Rental income	**9,083**	10,548
Foreign exchange income, net	**5,357**	4,281
Other	**10,897**	21,003
	93,564	99,140

22. Operating expenses

	2024 AED '000	2023 AED '000
Staff expenses	**113,492**	100,927
Information technology expenses	**17,587**	14,748
Depreciation (Note 9)	**13,526**	15,622
Occupancy costs	**9,082**	9,132
Professional fees	**6,725**	3,869
Directors' fees	**3,000**	3,000
Other	**16,369**	19,017
	179,781	166,315

23. Investment gains

	2024 AED '000	2023 AED '000
Dividend income	**54,405**	41,663
Fair value gains on investment securities at FVTPL	**703**	9,128
Foreign exchange revaluation	**(3)**	122
Gains on securities at amortised cost	**-**	1,695
	55,105	52,608

24. Net impairment losses

	2024 AED'000	2023 AED'000
Loans and advances and Islamic financing receivables	**85,642**	110,143
Due from other banks	**2,280**	74
Investment securities	**1,826**	(24)
Acceptances and off-balance sheet items	**4,697**	3,998
Impairment of asset acquired in settlement of debt	**9,918**	850
	104,363	115,041

25. Income tax expense

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective for accounting periods beginning on or after 1 June 2023 and the law is now considered to be substantively enacted from the perspective of IAS 12 – *Income taxes*. As the Group's accounting year ends on 31 December, the first tax period is 1 January 2024 to 31 December 2024, with the first return to be filed on or before 30 September 2025. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding this threshold.

The components of income tax expense recognized in the financial statements are as follows:

	2024 AED'000	2023 AED'000
Consolidated income statement		
Current tax charge	**44,755**	-
Consolidated statement of comprehensive income		
Current tax charge on realized gain of FVOCI equity	**270**	-
Deferred tax charge on unrealized gain on revaluation of FVOCI equity (Note 13.3)	**738**	-

25.1 Reconciliation of the total tax charge	**2024 AED'000**	2023 AED'000
Accounting profit before tax	**550,781**	-
Tax at statutory income tax rate of 9%	**49,570**	-
Add: Non-Deductible Expenses	**61**	-
Add: Loss from Associate	**28**	-
Income not subject to tax	**(4,904)**	-
Income tax expense reported in the consolidated income statement	**44,755**	-
Effective tax rate	**8.13%**	-

26. Basic and diluted earnings per share

The basic earnings per share is calculated by dividing the profit attributable to shareholders by the average number of ordinary shares in issue during the year.

	2024	2023
Profit for the year in AED	**506,026,000**	502,606,000
Average number of shares in issue	**2,000,000,000**	2,000,000,000
Basic earnings per share in AED	**0.25**	0.25

There were no potentially dilutive shares as at 31 December 2024 and 2023.

27. Dividend per share

Payment of cash dividend of 18% of the share capital amounting to AED 360,000 thousand for year ended 31 December 2024 has been approved by the UAE Central Bank. (2023 : 15% of the share capital amounting to AED 300,000 thousand).

28. Related party transactions

The Group carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Group, and all Directors of the Group and companies in which such shareholders and Directors have a significant interest and key management personnel of the Group.

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business.

	2024 AED'000	2023 AED'000
Interest income	**2,336**	730
Interest expense	**166,585**	110,937
Other income	**146**	277
Directors' fees	**3,000**	3,000

Remuneration of key management personnel

	2024 AED'000	2023 AED'000
Salaries and other short-term benefits	**5,028**	5,010
Employee end of service benefits	**181**	116

The Group has entered into transactions with related parties which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with third parties.

Outstanding balances at the end of reporting date from transactions with related parties are as follows:

	2024 AED'000	2023 AED'000
Related parties (excluding key management personnel)		
Loans and advances and Islamic financing receivables	**9,524**	4,766
Customer deposits and Islamic customer deposits	**5,062,956**	4,090,250
Irrevocable commitments and contingent liabilities	**4,114**	2,677
Key management personnel		
Loans and advances and Islamic financing receivables	**60**	240
Customer deposits and Islamic customer deposits	**651**	550

The loans and advances and Islamic financing receivables given to related parties and key management personnel have been secured against collateral amounting to AED72,295 thousand (2023: AED 72,295 thousand). All loans and advances to related parties are classified as Stage 1 (31 December 2023: Stage 1) with corresponding ECL of AED 384 thousand (31 December 2023: AED 44 thousand).

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FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

29. Cash and cash equivalents

	2024 AED '000	2023 AED '000
Cash and balances with the Central bank of the U.A.E. (Note 4)	**2,590,559**	2,210,574
Due from other banks (Note 5)	**5,297,564**	3,673,337
	7,888,123	5,883,911
Statutory cash reserve deposit (Note 4)	**(755,039)**	(482,926)
Due from other banks with original maturity over 3 months	**(1,830,203)**	(1,472,873)
Due to other banks (Note 11)	**-**	(259)
	5,302,881	3,927,853

30. Business segments

The Group is organized into two main business segments:

Retail and corporate banking - wherein retail banking comprises private customer current accounts, savings accounts, deposits, credit and debit cards, customer loans and mortgages. Corporate banking involves transactions with corporate bodies including government and public bodies and comprises loans, advances, deposits and trade finance transactions.

Treasury and investments - incorporating the activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the. Central Bank of the U.A.E and operations by the Bank's Head Office as a whole, none of which mutually constitute a separately reportable segment.

Others- Other consists of assets, liabilities, income and expenses attributable to either head office or not directly related to business segments.

Transactions between the business segments are on normal commercial terms and conditions. There are no material items of income and expense arising between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the condensed consolidated statement of financial position items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

30. Business segments (continued)

Primary segment information

	Retail and corporate banking AED'000	***Treasury and investments AED'000***	***Others AED'000***	***Total AED'000***
31 December 2024				
Net interest income and income from Islamic products net of distribution to depositors	**282,925**	**373,800**	**(76)**	**656,649**
Net fees and commission income	**27,309**	**542**	**2,065**	**29,916**
Other operating income	**74,353**	**5,833**	**13,378**	**93,564**
Gross income	**384,587**	**380,175**	**15,367**	**780,129**
Operating expenses	**(47,609)**	**(2,074)**	**(130,098)**	**(179,781)**
Investment gains	**-**	**55,105**	**-**	**55,105**
Share of loss from an associate	**-**	**-**	**(309)**	**(309)**
Provision for impairment on financial assets and non-financial assets	**(100,101)**	**(4,262)**	**-**	**(104,363)**
Income tax expense	**-**	**-**	**(44,755)**	**(44,755)**
Segment result	**236,877**	**428,944**	**(159,795)**	**506,026**
Segment assets	**8,155,782**	**9,439,113**	**285,565**	**17,880,460**
Segment liabilities and equity	**10,915,159**	**-**	**6,965,301**	**17,880,460**

	Retail and corporate banking AED'000	*Treasury an investments AED'000*	*Others AED'000*	*Total AED'000*
31 December 2023				
Net interest income and income from Islamic products net of distribution to depositors	301,951	303,557	-	605,508
Net fees and commission income	28,638	-	(1,647)	26,991
Other operating income	29	5,164	93,947	99,140
Gross income	330,618	308,721	92,300	731,639
Operating expenses	(43,351)	(2,201)	(120,763)	(166,315)
Investment gains	-	52,608	-	52,608
Share of loss from an associate	-	-	(285)	(285)
Provision for impairment on financial assets and non-financial assets	(114,293)	102	(850)	(115,041)
Segment result	172,974	359,230	(29,598)	502,606
Segment assets	7,181,952	6,814,921	780,286	14,777,159
Segment liabilities and equity	8,916,090	259	5,860,810	14,777,159

31. Classification and fair value of financial and non-financial instruments

Assets	**At amortised cost AED'000**	**At FVTPL AED'000**	**At FVOCI AED'000**	**Non-financial instruments AED'000**	**Total AED'000**
31 December 2024					
Cash and balances with the Central Bank of the U.A.E.	**2,590,559**	**-**	**-**	**-**	**2,590,559**
Due from other banks	**5,294,105**	**-**	**-**	**-**	**5,294,105**
Loans and advances and Islamic financing receivables	**7,775,670**	**-**	**-**	**-**	**7,775,670**
Investment securities	**659,316**	**24,613**	**1,054,695**	**-**	**1,738,624**
Customers' acceptances	**195,937**	**-**	**-**	**-**	**195,937**
Investment in an associate	**-**	**-**	**-**	**252**	**252**
Property and equipment	**-**	**-**	**-**	**72,322**	**72,322**
Other assets	**139,007**	**-**	**-**	**73,984**	**212,991**
Total assets	**16,654,594**	**24,613**	**1,054,695**	**146,558**	**17,880,460**

31 December 2023	At amortised cost AED'000	At FVTPL AED'000	At FVOCI AED'000	Non-financial instruments AED'000	Total AED'000
Cash and balances with the. Central Bank of the U.A. E	2,210,574	-	-	-	2,210,574
Due from other banks	3,672,158	-	-	-	3,672,158
Loans and advances and Islamic financing receivables	6,990,754	-	-	-	6,990,754
Investment securities	463,468	23,991	955,004	-	1,442,463
Customers' acceptances	186,860	-	-	-	186,860
Investment in an associate	-	-	-	420	420
Property and equipment	-	-	-	71,468	71,468
Other assets	55,422	-	-	147,040	202,462
Total assets	13,579,236	23,991	955,004	218,928	14,777,159

31. Classification and fair value of financial and non-financial instruments (continued)

Liabilities	**At amortised Cost AED'000**	**Non-financial instruments AED'000**	**Total AED'000**
31 December 2024			
Customers' deposits and Islamic customer deposits	**11,405,816**	**-**	**11,405,816**
Customers' acceptances	**195,937**	**-**	**195,937**
Other liabilities	**206,713**	**86,059**	**292,772**
Total liabilities	**11,808,466**	**86,059**	**11,894,525**
31 December 2023			
Due to other banks	259	-	259
Customers' deposits and Islamic customer deposits	8,729,229	-	8,729,229
Customers' acceptances	186,860	-	186,860
Other liabilities	188,715	31,155	219,870
Total liabilities	9,105,063	31,155	9,136,218

The Group has not designated any liabilities as FVOCI or FVTPL as at 31 December 2024 and 2023.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group 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.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments measured at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 31 December 2024 amounted to AED 659,789 thousand (31 December 2023: AED 460,337 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Except as detailed above, the management considers that the carrying amounts of financial assets and liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

31. Classification and fair value of financial and non-financial instruments (continued)

Fair value measurements (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2023.

Fair value of the Group's financial assets that are measured at fair value on recurring basis
Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determine

	Fair value as at		
Financial assets	***31 December 2024 AED '000***	*31 December 2023 AED '000*	***Fair value hierarchy***
Financial assets at FVTPL			
Quoted equity Securities	**24,366**	23,780	Level 1
Discretionary funds managed by third parties – quoted equity securities	**247**	211	Level 1
Financial assets at FVOCI			
Quoted equity securities	**1,003,809**	912,772	Level 1
Unquoted equity securities	**1,193**	1,193	Level 3
Unquoted equity securities	**49,693**	41,039	Level 2
Positive fair value of derivatives	**16**	76	Level 2
Negative fair value of derivatives	**1**	1	Level 2

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

32. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance. The Group's exposure can be broadly categorized into the following defined Material Risks:

- Credit risk
- Liquidity risk
- Market risk (includes currency risk and interest rate risk)
- Operational risk (includes risks arising from Group's processes, personnel, technology, legal, regulatory requirements and information security risks)

Reputational and strategic business risks are interrelated to the above defined Material Risks. These risks are considered through the Group's strategic planning and general risk management activities. NBQ risk management strategy is focused on ensuring awareness, measurement and appropriate oversight to these defined material risks. The Group remains focused in further developing its enterprise risk management culture, practices and processes proactively on an ongoing basis.

The Group has complied with the 'Capital Adequacy Regulations' issued by the Central Bank of the U.A.E. Relevant information / details have been disclosed in note 37.

32. Financial risk management (continued)

Credit risk

The Group assumes credit risk as part of its lending operations, which is identified as the risk that the counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk exposures arise principally in loans and advances, due from banks and investment securities measured at amortized cost. There is also credit risk in off-balance sheet financial arrangements such as letters of credit, guarantees and undrawn loan commitments. The credit risk management and control are centralized in the Credit Risk Department with the following objectives:

- To measure, monitor and mitigate risks both at micro as well as macro level.
- To facilitate building and sustaining a high quality credit portfolio and minimize losses.
- Contain non-performing assets through preventive and curative management.
- To identify early warning signals and initiate timely corrective action.

Credit Risk Mitigation

Collateral - It is a common practice to obtain collateral securities to safeguard the interest of the Group in case of default. Such mitigant are backed by proper documentation and legally binding agreements. The most common forms of tangible securities accepted by the Group are land and building, listed equity shares, fixed deposits under lien, vehicles etc.

Other comforts - personal guarantees and corporate guarantees are also taken as comfort, wherever deemed essential.

Market risk

Market risk for the Group refers to the risk because of which the value of its on or off-balance sheet positions are adversely affected due to movements primarily in interest rates, currency exchange rates and investment prices. Thus, the volatility in market level of interest rates, foreign exchange rates and investment prices expose the Group's earnings and capital to risk.

The market risk department of the Group addresses these risks to the Assets and Liability Committee (ALCO) based on stipulated norms for Asset Liability Management and Investments. The ALCO takes corrective measures as per the Group's internal market risk policies and strategic business directions.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management endeavors to diversify funding sources on a continuous basis and manage assets with liquidity in mind. The day-to-day funds management is done at Treasury so as to maintain satisfactory liquid assets. The liquidity position is monitored and reported to senior management on a daily basis. The Group's ALCO has put in place the policies to manage the liquidity risk and monitor the position regularly.

As part of the Internal Capital Adequacy Assessment Process (ICAAP), the Bank assesses the impact on capital adequacy of liquidity risk including concentrations by carrying out stress tests. In preparation for compliance with Basel III requirements, the Group also monitors Eligible Liquid Assets Ratio (ELAR) and Advances to Stable Resources Ratio (ASRR) in line with UAE Central Banks' regulations for compliance with Basel III requirements.

32. Financial risk management (continued)

Interest rate risk

Interest rate risk is the potential that changes in interest rates may adversely affect the value of a financial instrument or portfolio, or the condition of the Group as a whole. Although interest-rate risk arises in all types of financial instruments, it is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset, and other derivatives whose values are linked to market interest rates. In general, the values of longer-term instruments are often more sensitive to interest-rate changes than the values of shorter-term instruments. A part of interest rate risk can be labelled as yield curve risk, which refers to the imperfect correlation of interest rates of different maturities.

The Group manages its interest rate sensitivity position based on anticipated and actual interest rate movements, in order to maximise net interest income ("NII"). The Group analyses its interest rate sensitivity position based on the contractual repricing or maturity dates, whichever is earlier, regularly. The impact on the sensitivity position is calculated by way of 200 basis points ("bps") change in interest rates and resultant effect in the net interest income of the Group. It is controlled through the limit prescribed for the same. Note 34 summarizes the Group's exposure to interest rate risk.

Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored by the Treasury Department. Note 35 summarizes the Group's exposure to foreign currency exchange risk.

Operational risk

Operational risk is the potential exposure/ risk of loss resulting as financial, reputational or other damage arising from inadequate or failed internal processes, people, systems or external events. The Group has implemented a detailed Operational Risk Policies and Procedures in accordance with Basel guidelines. This clearly articulates the roles and responsibilities of Business units and committees across the NBQ involved in the management of various operational risk elements. The Operational Risk Management Policies/

Procedures ensures that the operational risks within NBQ are properly identified, monitored, reported and actively managed. The key elements includes Risk Reviews, Risk & Control self-Assessment, Ops Loss Data management, Key Risk Indicators (KRI), Controls testing, Issues & Actions Management and Management Reporting. This fully encompasses and integrates elements of Fraud Risk Prevention.

Business and support units are responsible for managing operational risks within their respective functional areas. They operate within the Group's operational risk management framework and ensure that risk is being pro-actively identified, monitored, reported and managed within their scope of work. The day-to-day operational risks are also managed through the adoption of multi-layers of defense and procedures to monitor transactions, positions and documentation, as well as maintenance of key backup procedures and business contingency plan which are regularly assessed and tested.

The role of the Internal Audit Function within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature and are generally performed at the specific request of the Senior Management.

It is led by the Head of Internal Audit who reports to the Audit Committee of the Board, with administrative reporting line to the Chief Executive Officer. To perform its role effectively, Internal Audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

32. Financial risk management (continued)

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

Internal credit risk ratings

To assess the creditworthiness of the borrowers, the Group has in place an internal credit risk rating system. The Group's credit risk grading framework comprises 15 categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are considered in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilization of granted limit;
- Changes in business, financial and economic conditions;
- Information obtained by periodic review of customer files including audited financial statements review

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The table below provides a mapping of the Group's internal credit risk grades.

Group's credit risk grades	Grade	Description
1	AAA	Substantially Risk Free
2	AA+	Low Risk
3	AA	Minimal Risk
4	AA-	Modest Risk
5	A+	Average Risk
6	A	Above Average Risk
7	A-	Medium Risk
8	BBB	Medium to High Risk
9	BB+	Moderately High Risk
10	BB	Significant Risk
11	B+	Significantly High Risk
12	B	Watchlist
13	C	Substandard
14	D	Doubtful
15	E	Loss

The Group analyses all historical default data collected in the past several years and uses statistical models to estimate the forward-looking PDs. The Modelling also includes macro-economic data such as GDP growth, Real Estate prices, oil prices, occupancy rates etc. The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

32. Financial risk management (continued)

Significant increase in credit risk (continued)

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group use external and internal information to generate a ‘base case’ scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data.

Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These elements are derived from internally developed statistical models based on historical data and data available from reliable sources. They are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. PDs applied to various categories of counterparties and exposures is based on internal and external ratings and stage of the counterparty. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors.

LGD is an estimate of the magnitude of loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cross- collateralization, seniority of claim and cost of realization of collateral. LGD models for unsecured assets consider time of recovery & recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

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32. Financial risk management (continued)

Significant increase in credit risk (continued)

Measurement of ECL (continued)
EAD represents the expected exposure at a future default date. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation and payment of principal and interest. The EAD of a financial asset will be the gross carrying amount at default. For lending commitments and financial guarantees, the EAD will consider the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on credit conversion factors.

The measurement of ECL is based on probability weighted average credit loss

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

The most significant period-end assumptions used for ECL estimate as at 31 December 2024 are set out below. The scenarios base case, upside and downside were used for all portfolios keeping in view the following principal macroeconomic variables:

Macroeconomic variables	Scenario	Assigned probabilities	2024	2025	2026	2027	2028
Petroleum Production (b/d)_%Gr	Base case	34%	0.47%	1.02%	0.94%	0.83%	0.65%
	Upside	33%	1.86%	2.41%	2.33%	2.21%	2.04%
	Downside	33%	-0.91%	-0.36%	-0.44%	-0.56%	-0.73%
International Reserves (US$)_%Gr	Base case	34%	0.49%	1.52%	0.78%	0.61%	0.53%
	Upside	33%	2.76%	3.74%	2.96%	2.74%	2.62%
	Downside	33%	-1.78%	-0.70%	-1.39%	-1.52%	-1.56%
Inward FDI stock/GDP (%)_Lag 1Q	Base case	34%	46.38%	50.63%	54.61%	57.64%	59.99%
	Upside	33%	52.15%	56.98%	61.57%	65.19%	68.00%
	Downside	33%	40.61%	44.27%	47.64%	50.08%	51.98%

Sensitivity analysis
If the above macro economic variables were to change using only upside or downward side scenarios to analyse the sensitivity, the ECL under stage 1 & 2 will change as follows .

Change in ECL	Downturn scenario increased by 5% upturn scenario reduced by 5%
Stage 1	5.09% +
Stage 2	3.66% +

32. Financial risk management (continued)

Significant increase in credit risk (continued)

Credit quality
The credit quality of the loans and advances and Islamic financing receivables is managed by the Group using internal credit ratings comprising 15 grades. The risk rating system is used as a credit risk management tool whereby any risks taken on the Group's books are rated against a set of predetermined standards which are in line with the Central Bank of the U.A.E guidelines.

An analysis of the Group's credit risk exposure per class of financial asset and "stage" without taking into account the effects of any collateral or other credit enhancements along with a summary of the movement in provision for expected credit loss on financial instruments by category is provided note 6 for loans and advances and Islamic financing, note 5 for due from other banks, note 7 for investment securities and note 18 for commitments and contingencies.

Settlement risk
The Group'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 the counterparty to honor its obligations to deliver cash, securities or other assets as contractually due. Any delays (if any) in settlement are monitored and quantified as part of the Group's Credit Risk Management.

Risk mitigation, collateral and credit enhancements
In line with Basel and IFRS 9 standards, the Credit Risk Management Framework (CRMF) outlines the basis pertaining to the eligibility, valuation, roles & responsibilities of various departments and overall management of collateral in order to adopt effective credit risk mitigation mechanism and maximize the use of eligible collateral.

The eligible collateral under IFRS 9 helps in arriving at EAD and LGD for Expected Credit Loss (ECL) calculations. As for measuring ECL, the expected cash shortfalls will reflect via LGD the cash flows expected from collateral realization provided the same are as per contractual terms.

The Group manages credit exposure by obtaining security where appropriate.

The amount and type of collateral depends on assessments of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees, pledge over listed shares and mortgage and liens over properties or other securities over assets. Collateral generally is not held against non-trading investments and due from banks and financial institutions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

32. Financial risk management (continued)

Risk mitigation, collateral and credit enhancements (continued)

Estimates of fair value are generally assessed on a periodic basis in accordance with the respective credit policies an estimate of fair value of collateral and other security enhancements held against the loan and Islamic financing portfolio is shown on below:

2024	**Funded balance AED'000**	**Non-funded balance AED'000**	**Immovable collateral AED'000**	**Other collateral AED'000**	**Total collateral AED'000**
Stage1	**7,010,314**	**1,785,204**	**9,011,713**	**780,673**	**9,792,386**
Stage2	**629,909**	**6,413**	**1,440,839**	**5897**	**1,446,736**
Stage3	**320,362**	**45,788**	**1,008,027**	**-**	**1,008,027**
Total	**7,960,585**	**1,837,405**	**11,460,579**	**786,570**	**12,247,149**

2023	Funded balance AED'000	Non-funded balance AED'000	Immovable collateral AED'000	Other collateral AED'000	Total collateral AED'000
Stage1	6,023,514	1,819,193	8,827,524	825,700	9,653,224
Stage2	660,706	1,724	1,318,954	135	1,319,089
Stage3	488,344	71,144	1,177,955	-	1,177,955
Total	7,172,564	1,892,061	11,324,433	825,835	12,150,268

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

	Maximum exposure	
	2024 AED'000	2023 AED'000
Credit risk exposures relating to;		
On-balance sheet		
Balances with Central Bank of the U.A.E	**2,504,096**	2,131,722
Due from other banks	**5,294,105**	3,672,158
Loans and advances and Islamic financing receivables	**7,775,670**	6,990,754
Customer acceptances	**195,937**	186,860
Investment securities	**659,316**	463,468
Other assets	**139,007**	55,422
Total	**16,568,131**	13,500,384
Off-balance sheet		
Loan commitments and other off balance sheet items	**2,841,517**	2,740,318
Total	**19,409,648**	16,240,702

32. Financial risk management (continued)

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

Credit exposures to individual customers or customer groups are controlled through a tiered hierarchy of delegated approval authorities. Approval is required from the Central Bank of the U.A.E for exposures which are likely to exceed single counterparty / group limit(s), keeping in view the regulatory capital base, in accordance with the regulations of monitoring of large exposure limits issued by the Central Bank of the U.A.E. The Group monitors concentrations of credit risk by industry, sector and geographic location.

Please refer Note 6 for Loans and advances and Islamic financing receivables by economic sector. The real estate concentration ratio (Real estate credit risk weighted assets as a percentage of total credit risk weighted assets) remains well below the CBUAE stipulated real estate ratio norm of 30%.

Credit risk and risk weights

31 December 2024

Asset classes			Credit Risk Mitigation (CRM)		
	Gross outstanding AED '000	**Exposure before CRM AED '000**	**CRM AED '000**	**Exposure after CCF AED '000**	**Risk Weighted Assets AED '000**
Claims on sovereigns	**2,880,796**	**2,880,796**	**-**	**2,880,796**	**203,636**
Claims on banks	**5,598,441**	**5,598,441**	**232**	**5,598,442**	**2,634,405**
Claims on Corporate and Government Related Enterprises (GRE's)	**7,477,874**	**7,477,871**	**776,224**	**6,453,219**	**5,290,782**
Claims included in the regulatory retail portfolio	**408,913**	**406,890**	**5,514**	**383,796**	**345,778**
Claims secured by commercial real estate	**2,805,888**	**2,805,039**	**25,143**	**2,691,774**	**2,666,631**
Past due loans	**415,266**	**270,670**	**2,707**	**270,670**	**332,842**
Other assets	**1,328,311**	**1,328,311**	**-**	**1,328,311**	**783,269**
Claims secured by residential property	**14,862**	**14,862**	**-**	**14,679**	**14,474**
Higher risk category	**31,498**	**31,498**	**-**	**31,498**	**47,248**
Total claims	**20,961,849**	**20,814,378**	**809,820**	**19,653,185**	**12,319,065**
Total credit risk weighted assets					**12,319,065**

32. Financial risk management (continued)

Credit risk and risk weights (continued)

31 December 2023

Asset classes	Credit Risk Mitigation (CRM)				
	Gross outstanding AED '000	Exposure before CRM AED '000	CRM AED '000	Exposure after CCF AED '000	Risk Weighted Assets AED '000
Claims on sovereigns	2,564,759	2,564,759	-	2,564,759	182,177
Claims on banks	3,830,521	3,830,521	-	3,830,521	1,557,132
Claims on Corporate and Government Related Enterprises (GRE's)	5,253,349	5,253,000	317,667	4,456,780	3,921,633
Claims included in the regulatory retail portfolio	1,205,277	1,202,495	781,285	1,184,249	366,930
Claims secured by commercial real estate	2,995,691	2,994,841	23,632	2,847,489	2,823,857
Past due loans	676,352	462,142	2,758	462,142	649,597
Other assets	1,272,695	1,272,695	-	1,272,695	877,658
Claims secured by Residential property	16,582	16,582	-	16,582	16,466
Higher risk category	3,758	3,758	-	3,758	5,636
Total claims	17,818,984	17,600,793	1,125,342	16,638,975	10,401,086
Total credit risk weighted assets					10,401,086

32. Financial risk management (continued)

Credit risk and risk weights (continued)

Loans and advances and Islamic financing receivables with renegotiated terms
Loans and advances and Islamic financing receivables with renegotiated terms are loans and advances and Islamic financing receivables that have been rescheduled or restructured and where the Group has made concessions that it would not otherwise consider. Restructured loans are generally classified under Stage 2 attracting lifetime ECL – not credit impaired,.

When renegotiation happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 (Lifetime ECL – credit impaired) to Stage 2 (Lifetime ECL – not credit impaired) to Stage 1 (12 month ECL). This is only applicable for assets which have performed as per the new terms in accordance with the curing criteria as adopted by the Group.

Write-off policy
The Group writes off loans and advances and Islamic financing receivables balances (and any related allowances for impairment losses) when it has generally exhausted all possible efforts for collection and determines that the loans and advances and Islamic financing receivables are no longer collectible.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially or fully written off due to no reasonable expectation of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

33. Liquidity risk

The maturities of assets and liabilities have been determined on the basis of contractual maturity. The bank has used behavioral assumptions when there is no defined maturity. The table below sets out the Group's assets, liabilities, equity at carrying amounts and off balance sheet items, categorised by the earlier of contractual repricing or maturity dates.

Maturity profile

Assets

31 December 2024

	Upto 1 month AED'000	1 month - 3 months AED'000	3 months - 1 year AED'000	1 year - 5 years AED'000	Over 5 Years and with no contractual maturity AED'000	Total AED'000
Cash and balances with the. Central Bank of U.A. E	**1,622,793**	**66,438**	**146,289**	**755,039**	**-**	**2,590,559**
Due from other banks	**2,107,085**	**1,359,126**	**895,269**	**932,625**	**-**	**5,294,105**
Loans and advances and Islamic financing Receivables	**840,588**	**396,629**	**952,894**	**3,768,742**	**1,816,817**	**7,775,670**
Investment securities	**323,792**	**91,673**	**835,519**	**440,188**	**47,452**	**1,738,624**
Customers' acceptances	**53,486**	**69,854**	**72,597**	**-**	**-**	**195,937**
Other financial assets	**139,007**	**-**	**-**	**-**	**-**	**139,007**
Non-financial assets	**-**	**-**	**73,984**	**36,161**	**36,413**	**146,558**
Total	**5,086,751**	**1,983,720**	**2,976,552**	**5,932,755**	**1,900,682**	**17,880,460**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

33. Liquidity risk (continued)

Maturity profile (continued)

Assets

31 December 2023

	Upto 1 month AED'000	1 month - 3 months AED'000	3 months - 1 year AED'000	1 year - 5 years AED'000	Over 5 Years and with no contractual maturity AED'000	Total AED'000
Cash and balances with the Central Bank of U.A. E	1,198,258	-	529,392	482,924	-	2,210,574
Due from other banks	1,511,167	689,001	477,281	994,709	-	3,672,158
Loans and advances and Islamic financing Receivables	184,243	873,537	545,291	3,193,055	2,194,628	6,990,754
Investment securities	293,426	-	763,569	385,468	-	1,442,463
Customers' acceptances	42,847	40,197	103,816	-	-	186,860
Other financial assets	55,422	-	-	-	-	55,422
Non-financial assets	-	-	-	-	218,928	218,928
Total	3,285,363	1,602,735	2,419,349	5,056,156	2,413,556	14,777,159

33. Liquidity risk (continued)

Liabilities, equity and off-balance sheet items

31 December 2024

	Upto 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Over 5 Years and with no contractual maturity	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Customers' deposits and Islamic customer deposits	3,077,015	522,146	3,765,051	4,041,312	292	11,405,816
Customers' acceptances	53,486	69,854	72,597	-	-	195,937
Other financial liabilities	44,290	57,342	24,357	-	80,724	206,713
Non-financial liabilities	-	-	58,316	2,536	25,207	86,059
Shareholders' equity	-	-	-	-	5,985,935	5,985,935
A. Total on-balance sheet items	3,174,791	649,342	3,920,321	4,043,848	6,092,158	17,880,460
Forward rate contracts	24,166	11,504	-	-	-	35,670
Guarantees	48	-	144	-	-	192
Unavailed limits	630,234	65,749	463,989	-	-	1,159,972
B. Total off-balance sheet items	654,448	77,253	464,133	-	-	1,195,834
Grand total [A+B]	3,829,239	726,595	4,384,454	4,043,848	6,092,158	19,076,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

33. Liquidity risk (continued)

Liabilities, equity and off balance sheet items (continued)

31 December 2023

	Upto 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	Over 5 Years and with no contractual maturity	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Due to other banks	259	-	-	-	-	259
Customers' deposits and Islamic customer deposits	2,051,067	762,307	2,921,882	2,993,553	420	8,729,229
Customers' acceptances	42,848	40,197	103,815	-	-	186,860
Other financial liabilities	37,189	52,959	18,546	-	80,021	188,715
Non-financial liabilities	-	-	7,809	1,948	21,398	31,155
Shareholders' equity	-	-	-	-	5,640,941	5,640,941
A. Total on-balance sheet items	2,131,363	855,463	3,052,052	2,995,501	5,742,780	14,777,159
Forward rate contracts	9,591	260	11,629	-	-	21,480
Guarantees	361	-	1,083	-	-	1,444
Unavailed limits	506,983	93,702	400,456	-	-	1,001,141
B. Total off-balance sheet items	516,935	93,962	413,168	-	-	1,024,065
Grand total [A+B]	2,648,298	949,425	3,465,220	2,995,501	5,742,780	15,801,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

33. Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2024 based on contractual undiscounted repayment obligations. The bank has used behavioural assumptions when there is no defined maturity.

31 December 2024

	Carrying amount	**Gross nominal outflows**	**Within 3 months**	**Over 3 months to 1 year**	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years**
	AED 000	**AED 000**	**AED 000**	**AED 000**	**AED 000**	**AED 000**	**AED 000**
Financial liabilities							
Customer deposits and Islamic customer deposits	**11,405,816**	**11,619,215**	**3,636,874**	**3,921,664**	**3,833,523**	**226,841**	**313**
	11,405,816	**11,619,215**	**3,636,874**	**3,921,664**	**3,833,523**	**226,841**	**313**
Letters of credit and guarantees	**1,145,397**	**1,145,397**	**663,431**	**436,147**	**45,518**	**300**	**-**

31 December 2023

	Carrying amount	Gross nominal outflows	Within 3 months	Over 3 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Financial liabilities							
Due to banks	259	(259)	259	-	-	-	-
Customer deposits and Islamic customer deposits	8,729,229	(8,729,229)	2,813,374	2,921,882	2,715,255	278,298	420
	8,729,488	(8,729,488)	2,813,633	2,921,882	2,715,255	278,298	420
Letters of credit and guarantees	878,360	(878,360)	447,271	395,905	34,183	1,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

33. Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)
The positive/ negative fair values of derivative financial instruments entered into by the Group, at the reporting date are as below:

	2024			2023		
	Positive fair value	**Negative fair value**	**Notional Value**	Positive fair value	Negative fair value	Notional Value
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Derivatives						
Foreign currency forward contracts	**16**	**(1)**	**14,467**	76	1	11,442
	16	**(1)**	**14,467**	76	1	11,442

34. Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below sets out the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Less than 3 months AED'000	**From 3 months to 1 year AED'000**	**Over 1 year AED'000**	**Non-interest bearing AED'000**	**Total AED'000**
At 31 December 2024					
Financial assets					
Cash and balances with Central bank of U.A. E	**1,689,703**	**-**	**-**	**900,856**	**2,590,559**
Due from other banks	**5,165,937**	**128,168**	**-**	**-**	**5,294,105**
Loans and advances and Islamic receivables	**5,901,662**	**47,366**	**1,826,642**	**-**	**7,775,670**
Investment securities	**171,676**	**-**	**487,640**	**1,079,308**	**1,738,624**
Customers' acceptances	**-**	**-**	**-**	**195,937**	**195,937**
Other financial assets	**-**	**-**	**-**	**139,007**	**139,007**
Total	**12,928,978**	**175,534**	**2,314,282**	**2,315,108**	**17,733,902**
Financial liabilities					
Customers' deposits and Islamic customer deposits	**5,882,608**	**2,987,217**	**559,610**	**1,976,381**	**11,405,816**
Customers' acceptances	**-**	**-**	**-**	**195,937**	**195,937**
Other financial liabilities	**-**	**-**	**-**	**206,713**	**206,713**
Total	**5,882,608**	**2,987,217**	**559,610**	**2,379,031**	**11,808,466**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

34. Interest rate risk (continued)

	Less than 3 months AED'000	**From 3 months to 1 year AED'000**	**Over 1 year AED'000**	**Non-interest bearing AED'000**	**Total AED'000**
On balance sheet interest rate sensitivity gap	**7,046,370**	**(2,811,683)**	**1,754,672**	**(63,923)**	**5,925,436**
Off balance sheet interest rate sensitivity gap	**35,670**	**-**	**-**	**1,160,164**	**1,195,834**
Cumulative interest rate sensitivity gap	**7,082,040**	**(2,811,683)**	**1,754,672**	**1,096,241**	**7,121,270**

	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year AED'000	Non-interest bearing AED'000	Total AED'000
At 31 December 2023					
Financial assets					
Cash and balances with. Central bank of the U.A.E	1,078,699	529,394	-	602,481	2,210,574
Due from other banks	3,166,966	477,281	-	27,911	3,672,158
Loans and advances and Islamic receivables	5,291,353	136,313	1,554,793	8,295	6,990,754
Investment securities	-	77,999	385,468	978,996	1,442,463
Customers' acceptances	-	-	-	186,860	186,860
Other financial assets	-	-	-	55,422	55,422
Total	9,537,018	1,220,987	1,940,261	1,859,965	14,558,231
Financial liabilities					
Due to other banks	-	-	-	259	259
Customers' deposits and Islamic customer deposits	4,304,000	2,883,230	594,983	947,016	8,729,229
Customers' acceptances	-	-	-	186,860	186,860
Other financial liabilities	-	-	-	188,715	188,715
Total	4,304,000	2,883,230	594,983	1,322,850	9,105,063

	Less than 3 months AED'000	From 3 months to 1 year AED'000	Over 1 year AED'000	Non-interest bearing AED'000	Total AED'000
On balance sheet interest rate sensitivity gap	5,233,018	(1,662,243)	1,345,278	537,115	5,453,168
Off balance sheet interest rate sensitivity gap	-	-	-	1,002,512	1,002,512
Cumulative interest rate sensitivity gap	5,233,018	(1,662,243)	1,345,278	1,539,627	6,455,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

34. Interest rate risk (continued)

Rate sensitivity analysis

Impact on net interest income and net income from Islamic financing and investment activities

	2024		2023	
Bps	**Upward shift**	**Downward shift**	Upward shift	Downward shift
200	**+97,318**	**-94,290**	+88,796	-88,231

Method and assumptions for sensitivity analysis

- Interest rates may go up or down by 200 bps. 200 bps is taken as per Basel guidelines.
- Interest rate change takes place uniformly across all time buckets up to 1 year for net interest income impact.
- Interest rate change takes place at the midpoint of each time bucket.
- Other parameters remain unchanged.
- Impact on net interest income up to next 1 year is worked out.
- For impact on equity, (EVE analysis), weighted modified duration of Rate Sensitive Assets ("RSA") and Rate Sensitive Liabilities ("RSL") for all buckets has been worked out and its net impact calculated.
- RSA and RSL have been captured based on earlier of the re-pricing or maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

35. Currency risk

Concentration of financial assets and liabilities by currency:

	AED AED'000	USD AED'000	Other AED'000	Total AED'000
At 31 December 2024				
Financial assets				
Cash and balances with the Central Bank of the U.A.E.	2,589,717	842	-	2,590,559
Due from other banks	612,541	4,674,679	6,885	5,294,105
Loans and advances and Islamic receivables	6,737,301	1,038,369	-	7,775,670
Investment securities	1,052,026	686,239	359	1,738,624
Customers' acceptances	195,937	-	-	195,937
Other financial assets	75,713	63,294	-	139,007
Total financial assets	11,263,235	6,463,423	7,244	17,733,902
Financial liabilities				
Due to other banks	-	-	-	-
Customers' deposits and Islamic customer deposits	11,160,758	225,621	19,437	11,405,816
Customers' acceptances	195,937	-	-	195,937
Other financial liabilities	200,361	5,714	638	206,713
Total financial liabilities	11,557,056	231,335	20,075	11,808,466
Net balance sheet position	(293,821)	6,232,088	(12,831)	5,925,436
Off balance sheet position	2,793,191	38,336	61,835	2,893,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

35. Currency risk (continued)

Concentration of financial assets and liabilities by currency: (continued)

	AED AED'000	USD AED'000	Other AED'000	Total AED'000
At 31 December 2023				
Financial assets				
Cash and balances with the Central Bank of the U.A.E	2,209,781	793	-	2,210,574
Due from other banks	721,821	2,930,611	19,726	3,672,158
Loans and advances and Islamic receivables	6,442,537	548,202	15	6,990,754
Investment securities	933,650	474,697	34,116	1,442,463
Customers' acceptances	186,860	-	-	186,860
Other financial assets	38,180	17,202	40	55,422
Total financial assets	10,532,829	3,971,505	53,897	14,558,231
Financial liabilities	-	-	259	259
Due to other banks				
Customers' deposits and Islamic customer deposits	8,476,283	223,056	29,890	8,729,229
Customers' acceptances	186,860	-	-	186,860
Other financial liabilities	186,884	1,190	641	188,715
Total financial liabilities	8,850,027	224,246	30,790	9,105,063
Net balance sheet position	1,682,802	3,747,259	23,107	5,453,168
Off balance sheet position	2,710,493	427,801	(359,419)	2,778,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

35. Currency risk (continued)

Rate sensitivity analysis

- Currencies are divided into two categories i) those pegged with USD and ii) all other currencies as on the Balance Sheet date.

- Exchange rate change of 2% in AED against the respective pegged foreign currencies and exchange rate change of 10% in AED against the respective other foreign currencies has been used to give a realistic assessment as a plausible event.

- Based on these changes the impact on profit or loss and equity has been worked out.

As at 31 December 2024

	Foreign currency assets	Foreign currency liabilities	Net forward purchase/ (sale)	Net long/ (short) position	Impact on statement of income and equity
	AED'000	AED'000	AED'000	AED'000	AED'000
Pegged Currencies					
US Dollar	**6,463,514**	**280,988**	**2,677**	**6,185,203**	**(123,704)**
Saudi Riyal	**119**	**-**	**-**	**119**	**(2)**
Bahrain Dinar	**162**	**-**	**-**	**162**	**(3)**
Omani Riyal	**460**	**29**	**-**	**431**	**(9)**
Qatar Riyal	**98**	**-**	**-**	**98**	**(2)**
Other Currencies					
Kuwait Dinar	**914**	**(1)**	**-**	**915**	**(91)**
Great British Pound	**2,818**	**14,445**	**11,618**	**(9)**	**1**
Euro	**2,474**	**5,571**	**3,058**	**(39)**	**4**
Swiss Frank	**-**	**-**	**-**	**-**	**-**
Japanese Yen	**165**	**30**	**(117)**	**18**	**(2)**
Indian Rupee	**22**	**-**	**-**	**22**	**(2)**
Lankan Rupee	**2**	**-**	**-**	**2**	**-**
Jordanian Dinar	**38**	**-**	**-**	**38**	**(4)**
	6,470,786	**301,062**	**17,236**	**6,186,960**	**(123,814)**

Total impact if foreign currency fluctuates against AED	**(123,814)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

35. Currency risk (continued)

Rate sensitivity analysis (continued)

As at 31 December 2023

	Foreign currency assets AED'000	Foreign currency liabilities AED'000	Net forward purchase/ (sale) AED'000	Net long/ (short) position AED'000	Impact on statement of income and Equity AED'000
Pegged Currencies					
US Dollar	3,971,506	224,247	(16,492)	3,730,767	(73,797)
Saudi Riyal	33,985	-	-	33,985	(680)
Bahrain Dinar	137	-	-	137	(3)
Omani Riyal	274	-	-	274	(5)
Qatar Riyal	112	8	-	104	(2)
Other Currencies					
Kuwait Dinar	453	-	-	453	(45)
Great British Pound	2,937	14,651	11,701	(13)	1
Euro	15,505	16,091	650	64	(6)
Swiss Frank	46	4	-	42	(4)
Japanese Yen	315	34	(260)	21	(2)
Indian Rupee	12	-	-	12	(1)
Lankan Rupee	2	-	-	2	-
Jordanian Dinar	103	-	-	103	(10)
	4,025,387	255,035	(4,401)	3,765,951	(74,554)
Total impact if foreign currency fluctuates against AED					(74,554)

36. Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 20% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's:

- Consolidated statement of other comprehensive income would have increased/decreased by AED 210.94 million (2023: AED 191 million) and consolidated statement of income would have increased/decreased by AED 4.92 million (2023: 4.79 million).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if equity prices are 20% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.
- A 20% change in equity prices has been used to give a realistic assessment as a plausible event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

37. Capital management

Group’s capital management policy is to maintain a strong capital base to support the development and growth of business. Current and future capital requirements are determined on the basis of loan growth expectations for each business unit, expected growth in off-balance sheet facilities, future sources and uses of funds and Group's future dividend policy. The Group also ensures compliance with externally imposed capital requirement norms, strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value. During the year the Group had complied in full with all external imposed capital requirements. The Central Bank of the U.A.E. requires the banks in U.A.E. to maintain a ratio of total regulatory capital to the risk weighted assets at or above the agreed minimum of 10.5%.

Capital structure
The table below details the regulatory capital resources of the Group:

	2024 AED’000	2023 AED’000
Tier 1 Capital		
Share capital	**2,000,000**	2,000,000
Statutory reserve	**1,019,266**	1,019,266
General reserve	**6,440**	76,803
Fair value reserves on investment securities at FVOCI	**231,825**	174,714
Retained earnings	**2,003,576**	1,856,618
Regulatory deductions	**(13,726)**	(9,190)
Other deductions	**(431,562)**	(311,277)
Total Tier 1	**4,815,819**	4,806,934
Tier 2 Capital		
General reserves on loans and advances	**153,988**	129,892
Total Tier 2	**153,988**	129,892
Total Regulatory Capital	**4,969,807**	4,936,826

	2024 AED’000	2023 AED’000
Risk weighted assets:		
Credit risk-weighted assets	**12,319,065**	10,391,368
Market risk-weighted assets	**51,606**	84,345
Operations risk-weighted assets	**1,346,186**	1,069,783
Total risk-weighted assets	**13,716,857**	11,545,496

37. Capital management (continued)

BASEL III Capital Ratio

As per UAE Central Bank Regulation for Basel III, Minimum Capital Requirement is 10.5% for the year 2024.

Banks must maintain a Capital Conservation Buffer (CCB) of 2.5% of RWAs in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 - 2.5% of RWAs.

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

	2024	2023
Capital ratio	**%**	%
Total capital adequacy ratio	**36.23**	42.76
Common equity Tier 1 capital ratio	**35.11**	41.64
Tier 1 capital ratio	**35.11**	41.64

Minimum capital required under each of the above items including CCB is as below;

	2024	2023
Capital element	**%**	%
Minimum Common Equity Tier 1 (CET 1) ratio	**7**	7
Minimum tier 1 capital ratio	**8.5**	8.5
Minimum capital adequacy ratio	**10.5**	10.5
Capital conversion buffer (CCB)	**2.5**	2.5

38. Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group 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 Group 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.

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FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

39. Social contributions

The social contributions (including donations and charity) made during the year to various beneficiaries amount to AED 817 thousand (2023: AED 434 thousand).

40. Comparative figures

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

41. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2024 were authorized for issue by way of a resolution passed by the Board of Directors on 06 February 2025.