Agricultural Bank of China - Dubai Branch

Financial statements for the year ended 31 December 2024

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Financial statements
for the year ended 31 December 2024

KPMG Lower Gulf Limited
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Independent auditors' report

To the General Manager of Agricultural Bank of China – Dubai Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Agricultural Bank of China – Dubai Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, movements in head office account and reserves, and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with 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 the 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.

Emphasis of Matter

We draw attention to Note 35 to the accompanying reissued financial statements, which states that these financial statements have been revised and reissued due to identified corrections to note 23 to the financial statements previously authorised dated 31 March 2025 on which we issued our auditors' report dated 31 March 2025. This audit report supersedes our audit report dated 31 March 2025 on the previously issued financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with Governance are responsible for overseeing the Branch's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch'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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;

iii) the Branch has maintained proper books of account;

iv) as disclosed in note 21 to the financial statements, the Branch has not purchased any shares during the year ended 31 December 2024;

v) note 33 to the financial statements discloses material related party transactions and the terms under which they were conducted; and

vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Branch has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, which would materially affect its activities or its financial position as at 31 December 2024.

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

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Dubai, United Arab Emirates

Date: 12 JUN 2025

Agricultural Bank of China - Dubai Branch

Statement of financial position

As at 31 December

	Notes	2024 AED'000	2023 AED'000
Assets			
Cash and balances with the UAE Central Bank	7	**28,562**	30,377
Due from other banks, net	8	**1,142,411**	1,007,444
Due from group entities	9	**671,966**	184,255
Loans and advances, net	10	**231,461**	281,026
Financial assets measured at FVOCI	11 (i)	**1,213,158**	1,391,363
Financial assets measured at amortized cost	11 (ii)	**882,930**	1,056,827
Interest receivable	12	**20,775**	21,017
Property and equipment	13	**166**	345
Intangible assets	14	**3**	19
Other assets	15	**72,274**	47,664
Right-of-use assets	31	**3,795**	470
Total assets		**4,267,501**	4,020,807
Liabilities and Head office account and reserves			
Liabilities			
Due to other banks	16	**203,274**	421,487
Due to customers	17	**46,358**	62,300
Due to group entities	18	**3,495,448**	3,050,751
Interest payable	19	**10,167**	11,059
Other liabilities	20	**70,838**	59,960
Lease liabilities	31	**3,917**	619
Total liabilities		**3,830,003**	3,606,176
Head office account and reserves			
Allocated capital	21	**367,340**	367,340
Accumulated earnings/(losses)		**32,723**	13,257
Legal reserve	22	**4,741**	2,578
General impairment reserve	23	**31,135**	31,135
Fair value reserve		**1,559**	321
Total Head office account and reserves		**437,248**	414,631
Total liabilities and Head office account and reserves		**4,267,501**	4,020,807

These financial statements have been approved on 03 June 2025 and signed by:

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Yan Liu
Deputy General Manager

The independent auditor's report is set out on pages 1-3.

The notes on pages 9 to 65 form an integral part of these financial statements.

Agricultural Bank of China - Dubai Branch

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Interest income	25	**136,885**	124,650
Interest expense	26	**(107,605)**	(81,143)
Net interest income		**29,280**	43,506
Fee and commission income		**1,939**	2,701
Loss from sale of debt investments at fair value through other comprehensive income		**-**	-
Net gains from foreign exchange and derivatives		**20,230**	4,688
Operating income		**51,449**	50,895
Operating expenses	27	**(25,979)**	(23,403)
Impairment reversal / (charge)	28	**1,253**	3,789
Profit / (loss) for the year before income tax		**26,723**	31,281
Tax expense	29	**(5,094)**	(5,498)
Net profit / (loss) for the year		**21,629**	25,783
Other comprehensive income/(loss) for the year:			
Items that may be subsequently reclassified to profit or loss:			
Debt instruments measured at FVOCI - net change in fair value		**1,238**	(23)
Total comprehensive income / (loss) for the year		**22,867**	25,760

The independent auditor's report is set out on pages 1-3.

The notes on pages 9 to 65 form an integral part of these financial statements.

Agricultural Bank of China - Dubai Branch

Statement of movements in Head office account and reserves

For the year ended 31 December 2024

	Allocated capital AED'000	**Fair value reserve** AED'000	**General impairment reserve** AED'000	**Accumulated earnings /(losses)** AED'000	**Legal reserve** AED'000	**Total** AED'000
At 1 January 2023	367,340	344	20,726	462	-	388,872
Net loss for the year	-	-	-	25,783		25,783
Movement in fair value reserve for the year	-	(23)	-	-	-	(23)
Transfer to legal reserve	-	-	-	(2,578)	2,578	-
Transfer from general impairment reserve	-	-	10,409	(10,409)	-	-
Exchange rate adjustment	-	-	-	(1)	-	(1)
At 31 December 2023	367,340	321	31,135	13,257	2,578	414,631
At 1 January 2024	**367,340**	**321**	**31,135**	**13,257**	**2578**	**414,631**
Net profit for the year	**-**	**-**	**-**	**21,629**	**-**	**21,629**
Movement in fair value reserve for the year	**-**	**1,238**	**-**	**-**	**-**	**1,238**
Transfer to legal reserve	**-**	**-**	**-**	**(2163)**	**2163**	**0**
Transfer to general impairment reserve	**-**	**-**	**-**	**-**	**-**	**-**
Exchange rate adjustment	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2024	**367,340**	**1,559**	**31,135**	**32,723**	**4,741**	**437,498**

The independent auditor's report is set out on pages 1-3.

The notes on pages 9 to 65 form an integral part of these financial statements.

Agricultural Bank of China - Dubai Branch

Statement of cash flows

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Operating activities			
Profit / (Loss) for the year before taxation		**26,723**	25,783
Adjustments for:			
Depreciation and amortization	13,14	**256**	333
Depreciation on right of use assets	31	**1,418**	1,409
Interest expense on lease liabilities	31	**17**	11
Amortization of discount relating to financial assets measured at FVOCI and amortized cost		**(13,722)**	(19,135)
Impairment charge	28	**1,253**	3,789
Loss from sale of debt investments at FVOCI		**-**	-
Net gains from foreign exchange and derivatives		**(20,230)**	(4,688)
Provision for employee's end of service benefits		**205**	121
Operating cash flows before changes in working capital		**(4,080)**	7,623
Changes in working capital:			
Due from other banks	8	**6,343**	572,787
Due from group entities	9	**(461,430)**	4,533
Loans and advances before provision for impairment	10	**50,975**	413,927
Interest receivable	12	**(24,610)**	17,089
Other assets	15	**242**	(35,443)
Due to customers	17	**(15,942)**	(70,226)
Due to other banks	16	**(218,213)**	415,582
Due to group entities	18	**444,697**	(128,598)
Interest payable		**11,128**	166
Other liabilities	20	**(892)**	32,638
		(207,702)	1,222,455
End of service benefits paid		**(19)**	(254)
Tax paid		**(5,588)**	(148)
Net cash (used in)/generated from operating activities		**(217,389)**	1,229,676

The independent auditor's report is set out on pages 1-3.

Agricultural Bank of China - Dubai Branch

Statement of cash flows (continued)

For the year ended 31 December 2023

	Notes	2024 AED'000	2023 AED'000
Investing activities			
Purchase of property and equipment and intangibles	13,14	**(61)**	(20)
Purchase of financial assets measured at FVOCI		**(825,163)**	(1,349,199)
Purchase of financial assets measured at amortized cost		**(1,356,222)**	(1,500,988)
Redemption of financial assets measured at FVOCI		**1,040,826**	1,049,014
Redemption on maturity of financial assets measured at amortized cost		**1,525,609**	464,562
Net cash generated from/(used in) investing activities		**384,988**	(1,336,631)
Financing activities			
Lease payments	31	**(1,462)**	(1,381)
Net cash used in financing activities		**(1,462)**	(1,381)
Net (decrease)/increase in cash and cash equivalents		**166,138**	(108,336)
Cash and cash equivalents at beginning of the year		**434,621**	542,957
Cash and cash equivalents at end of year	32	**600,759**	434,621

The independent auditor's report is set out on pages 1-3.

Notes to the financial statements for the year ended 31 December 2024

1 Incorporation and activities

Agricultural Bank of China Limited (the "Head Office") is a public limited company incorporated in Beijing, People's Republic of China and the address of its registered office is No.69 Jianguomen Nei Avenue, Beijing 100005, China. The Agricultural Bank of China-Dubai branch (the "Bank" or the "Branch") is authorized, to engage in wholesale commercial banking services and business activity covering accepting deposits, providing credit, dealing in investments, and arranging credit or deals in investment. The registered address of the Branch is Office no 201-203, 2nd floor, Building no.1, Emaar Business Park, Sheikh Mohammad Bin Zayed road, Dubai, UAE.

2 Basis of preparation

(a) Basis of compliance

The financial statements have been prepared in accordance with and comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the applicable requirements of laws of the United Arab Emirates.

(b) Basis of measurement

The financial statements are prepared under the historical cost convention except for derivative financial instruments and financial assets measured at fair value through other comprehensive income (FVOCI) which have been measured at fair value.

(c) Uses of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(d) Functional and presentation currency

The financial statements are presented in UAE Dirhams ("AED"), which is the Bank's "functional currency", rounded to the nearest thousand.

3 Material accounting policies

The Company has consistently applied the following accounting policies to all the periods presented in these financial statements, except if mentioned otherwise.

(a) Standards, amendments and interpretations

(i) Standards and interpretations adopted for accounting period beginning 1 January 2024

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with an annual reporting period beginning on 01 January 2024.

- Non-current Liabilities with Covenants - Amendments to /AS 1 (Effective date: 01 January 2024);
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (Effective date: 01 January 2024);
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 (Effective date: 01 January 2024); and
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (Effective date: 01 January 2024).

These changes did not have a material impact on the Company's financial statements.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2024.

(ii) Standards and interpretations issued by not yet effective

- Lack of Exchangeability – Amendment to IAS 21 (Effective date: 01 January 2025);
- Classification and Measurement of Financial Instruments – Amendment to IFRS 9 and IFRS 7 (Effective date: 01 January 2026);
- Annual Improvement to IFRS Accounting Standards – Volume 11 (Effective date: 01 January 2026);
- IFRS 18 Presentation and Disclosure in Financial Statements (Effective date: 01 January 2027);
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (Effective date: 01 January 2027); and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (Available for optional adoption / effective date deferred indefinitely).

Management anticipates that these IFRS and amendments will be adopted in the financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

3 Material accounting policies (continued)

(b) Interest income and expense

Interest income and expenses are recognized in the income statement for all instruments measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fee and commission income

The Bank earns fee and commission income from a range of services provided to its customers. Unless included in the effective interest calculation, fees and commission income is generally recognized on an accrual basis when the service has been provided. Fee and commission income is accounted as follows:

- Income which forms an integral part of the effective interest rate of a financial instrument is recognized as an adjustment to the effective interest rate, and is recorded as “Interest income”; and
- Income earned from the provision of services is recognized as revenue when services are rendered.

3 Material accounting policies (continued)

(d) Foreign currency translation

In preparing the financial statements, foreign currency transactions are translated into AED at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised initially in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

(e) Property and equipment

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

Depreciation is computed on the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

Category	**Useful life (in years)**
Office equipment	5
Furniture & fixtures	5
Leasehold improvements	5
Motor vehicles	8
Computer accessories	5

3 Material accounting policies (continued)

(f) Property and equipment (continued)

When 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 net selling price and value in use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the statement of financial position date.

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 income. Repairs and renewals are charged to the statement of income when the expenditure is incurred.

(g) Intangibles

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The amortisation charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortisation on additions is charged from the month the asset is available for use. No amortisation is charged in the month of disposal.

Gains and losses on sale of intangible assets are included in the statement of income.

(h) Borrowings

Borrowings include due to other banks, due to customers and due to group entities. Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received), net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

(i) Provision for staff benefits

The end of service benefits for international staff are provided under UAE Labour Law. The liability for these benefits is settled and recorded as a charge in the statement of income.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with Federal Law No. (7), 1999 for Pension and Social Security.

3 Material accounting policies (continued)

(j) Due from other banks and group entities

Amounts due from other banks and due from group entities are stated at amortised cost less provision for impairment, if any.

(k) Impairment of tangible assets

At the end of each reporting period, the Bank 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). When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 pre-tax 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in the statement of income as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(l) Provisions

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

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

3 Material accounting policies (continued)

(l) Provisions (continued)

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

(m) Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognized immediately in the statement of income. An expected credit loss ("ECL") allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results is recognized within the profit or loss.

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

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

(i) Classification and subsequent measurement of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

3 Material accounting policies (continued)

(m) Financial instruments (continued)

(i) Classification and subsequent measurement of financial assets (continued)

Debt instruments:

Debt instruments are measured at amortized cost if both of the following conditions are met:

i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
ii. the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding.

All other debt instruments except for debt instruments carried at amortized cost are subsequently measured at fair value.

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and Interest ('SPPI'), and that are not designated at fair value through profit or loss (FVPL), are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance.

- Fair value through other comprehensive income (FVOCI): financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movement in carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments' amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they were presented separately.

3 Material accounting policies (continued)

(m) Financial instruments (continued)

(i) Classification and subsequent measurement of financial assets (continued)

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Bank considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and an interest rate that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and there were no material reclassification during the year.

Amortised cost and effective interest method

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

3 Material accounting policies (continued)

(m) Financial instruments (continued)

(i) Classification and subsequent measurement of financial assets (continued)

Amortised cost and effective interest method (continued)

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(ii) Impairment of financial assets

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

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

The measurement of ECL is disclosed in detail in Note 5.2 under credit risk.

(iii) Modification of loans

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

3 Material accounting policies (continued)

(m) Financial instruments (continued)

(iii) Modification of loans (continued)

- 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 a 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.

If the terms are substantially different, the Bank 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 a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in statement of income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in the derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition other than on a modification

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

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

3 Material accounting policies (continued)

(m) Financial instruments (continued)

(iii) Modification of loans (continued)

Derecognition other than on a modification (continued)

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

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

(iv) Financial liabilities

Classification and subsequent measurement

Financial liabilities (including due to other banks, due to customers, and due to group entities) are initially recognised at fair value and subsequently measured at amortised cost, except for:

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

Derecognition

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

3 Material accounting policies (continued)

(m) Financial instruments (continued)

(v) Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVPL, the foreign exchange component is recognised in the statement of profit or loss;
- for financial assets that are monetary items and designated as at FVOCI, any foreign exchange component is recognized in the statement of profit or loss;
- for financial assets that are non-monetary items and designated as at FVOCI, any foreign exchange component is recognised in the statement of income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the statement of profit or loss.

(vi) Offsetting of financial assets and liabilities

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

(vii) Derivative financial instruments

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise balances with the UAE Central Bank, due from other banks and due from group entities with original maturity of less than or equal to three months.

3 Material accounting policies (continued)

(o) Taxes

Provision for taxation is made in respect of the Bank's operations in the Emirate of Dubai whereby tax is payable at the rate of 20% of the adjusted net profit generated during the year in the Emirate, in accordance with the relevant legislation of the Emirate.

Income tax is recognized as an expense for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

a. Temporary differences on the initial recognition of assets and liabilities in a transaction that:
- is not a business combination; and
- at the time of transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences.

b. Temporary differences related to investments in subsidiaries to the extent that the Branch is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

c. Taxable temporary differences arising on the initial recognition of goodwill.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(a) Measurement of the expected credit loss allowance

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

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

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

(b) Classification and measurement of financial assets

The classification and measurement of the financial assets depend on management's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. Management is satisfied that the Bank's financial assets are appropriately classified and measured.

5 Financial risk management

5.1 Risk management review

The Bank'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. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The main sources of financial risk that the Bank faces arise from financial instruments, which are fundamental to the Bank's business, and constitute the core of its operations. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Bank's balance sheet. Consequently, the Bank devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

Managing financial risks, especially credit risk is a fundamental part of the Bank's business activity and an essential component of the planning process. The Bank achieves its risk management goals by keeping risk management at the centre of the executive agenda and by building a culture that measures risk management with everyday business decision making.

The Bank ensures that it has the capacity to manage the risk in its new and growing businesses, and that its business plans are consistent with the risk appetite, that is, the level of risk that the Bank is willing to accept in fulfilling its business objectives.

The Bank's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. These policies provide written principles for overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and price risk.

5 Financial risk management (continued)

5.2 Credit risk

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

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

The Bank measures credit risk of loans and advances to customers and to financial institutions at a counterparty level by using an internally and externally developed rating system whichever is more prudential. These measurement models are embedded in the Bank's decision and risk management process.

The measurement models are kept under review and upgraded as necessary by the Head Office in corroboration with the Branches. The Bank regularly validates the performance of the measurement models and their predictive power with regard to default events. Observed defaults per grading category vary year on year, especially over an economic cycle.

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

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

Under IFRS 9, incurred loss is replaced by Expected Credit Loss (ECL), which is based on macro adjusted PD, LGD & EAD measures. Additionally, it also captures deterioration and lifetime likelihood of defaults.

5 Financial risk management (continued)

5.2 Credit risk (continued)

The Bank uses an internal credit rating system for each obligor before or when a credit limit is approved for the particular obligor. All rating results are reviewed annually. The bank conducts stress testing to assess the level of credit risk. The bank also sets up a variety of limits to control the credit risk associated loss with the bank's risk tolerance and regulations. The Bank also maintains adequate provisions to improve the capability of the Bank to absorb the future potential default loss.

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

Expected credit loss measurement

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition of a facility as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. The identification of SICR is measured via a change in one year probability of default between the date of inception of the facility and the date of the IFRS 9 ECL run.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’.
- Financial assets in Stage 1 have their ECL measured based on expected credit loss on a 12 months basis. Instruments in Stages 2 or 3 have their ECL measured based on a lifetime basis.
- A concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk (SICR)

The Bank considers a financial asset to have experienced a significant increase in credit risk when a significant change in one year probability of default occurs between the origination date of a specific facility and the IFRS 9 ECL run date. The following qualitative and quantitative factors are taken into account:

- Solvency
- Operation capacity
- Guarantee information
- Loan contract terms
- Repayment behaviors
- Regulatory and business environment
- Internal and external credit ratings

5 Financial risk management (continued)

5.2 Credit risk (continued)

Backstop

If the borrower is more than 30 days past due on its contractual payments a backstop is applied, and the financial asset is considered to have experienced a significant increase in credit risk.

Treasury instruments

Expected credit loss for treasury instruments is measured by the change in probability of default of the underlying treasury instrument and change in the investment's expected performance & behavior of the borrower.

Definition of default and credit-impaired assets

The Bank's policy defines a financial corporate and investment instrument as in default, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments is deemed as credit impaired.

Qualitative criteria

Default is considered to have occurred with regard to particular obligors when one of the following events have taken place:

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

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the Bank's ECL calculations.

5 Financial risk management (continued)

5.2 Credit risk (continued)

Definition of default and credit-impaired assets (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months. This period of twelve months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Bank has adopted a forward exposure method for computing the ECL for each facility. The Bank has opted for a monthly granular computation of PD, EAD and LGD.

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

Lifetime expected credit losses are expected credit loss resulting from all probable default events over the expected lifetime of the financial instrument. Expected credit losses are the probability-weighted average of credit losses and the weighing factor is the Probability of Default (PD) for a lifetime.

Forward-looking economic information is also included in determining the 12-month and lifetime PD.

5 Financial risk management (continued)

5.2 Credit risk (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment

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

	ECL staging			
Credit risk exposures relating to on-balance sheet assets are as follows:	**Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
31 December 2024				
Cash and balances with the UAE Central Bank	**28,562**	**-**	**-**	**28,562**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**28,562**	**-**	**-**	**28,562**
31 December 2023				
Cash and balances with the UAE Central Bank	30,377	-	-	30,377
Loss allowance	-	-	-	-
Carrying amount	30,377	-	-	30,377
31 December 2024				
Due from other banks	**1,143,993**	**-**	**-**	**1,143,993**
Loss allowance (Note 8(a))	**(1,583)**	**-**	**-**	**(1,583)**
Carrying amount	**1,142,410**	**-**	**-**	**1,142,410**
31 December 2023				
Due from other banks	1,008,665	-	-	1,008,665
Loss allowance (Note 8(a))	(1,221)	-	-	(1,221)
Carrying amount	1,007,444	-	-	1,007,444

5 Financial risk management (continued)

5.2 Credit risk (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

Credit risk exposures relating to on-balance sheet assets are as follows:	**ECL staging** **Stage 1** **12-month ECL** **AED'000**	**Stage 2** **Lifetime ECL** **AED'000**	**Stage 3** **Lifetime ECL** **AED'000**	**Total** **AED'000**
31 December 2024				
Loans and advances				
Neither past due nor impaired	**232,438**	**-**	**-**	**232,438**
Past due but not impaired	**-**	**-**	**-**	**-**
Impaired	**-**	**-**	**-**	**-**
Gross balance	**232,438**	**-**	**-**	**232,438**
Loss allowance (Note 10(c))	**(977)**	**-**	**-**	**(977)**
Carrying amount	**231,461**	**-**	**-**	**231,461**
31 December 2023				
Loans and advances				
Neither past due nor impaired	283,413	-	-	283,413
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Gross balance	283,413	-	-	283,413
Loss allowance (Note 10(c))	(2,387)	-	-	(2,387)
Carrying amount	281,026	-	-	281,026
31 December 2024				
Financial assets measured at FVOCI	**1,213,946**	**-**	**-**	**1,213,946**
Loss allowance	**(787)**	**-**	**-**	**(787)**
Carrying amount	**1,213,158**	**-**	**-**	**1,213,158**
31 December 2023				
Financial assets measured at FVOCI	1,392,123	-	-	1,392,123
Loss allowance	(761)	-	-	(761)
Carrying amount	1,391,363	-	-	1,391,363

5 Financial risk management (continued)

5.2 Credit risk (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	ECL staging			
Credit risk exposures relating to on-balance sheet assets are as follows:	**Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
31 December 2024				
Financial assets measured at amortised cost	**883,496**	**-**	**-**	**883,496**
Loss allowance (Note 11(ii)(a))	**(566)**	**-**	**-**	**(566)**
Carrying amount	**882,930**	**-**	**-**	**882,930**
31 December 2023				
Financial assets measured at amortised cost	1,057,661	-	-	1,057,661
Loss allowance (Note 11(ii)(a))	(833)	-	-	(833)
Carrying amount	1,056,827	-	-	1,056,827
31 December 2024				
Due from group entities*	**671,966**	**-**	**-**	**671,966**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**671,966**	**-**	**-**	**671,966**
31 December 2023				
Interest receivable	184,255	-	-	184,255
Loss allowance	-	-	-	-
Carrying amount	184,255	-	-	184,255

**ECL on group related exposures is considered as immaterial and has not been recognized.*

5 Financial risk management (continued)

5.2 Credit risk (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

Credit risk exposures relating to on-balance sheet assets are as follows:	**ECL staging** **Stage 1** **12-month ECL** **AED'000**	**Stage 2** **Lifetime ECL** **AED'000**	**Stage 3** **Lifetime ECL** **AED'000**	**Total** **AED'000**
31 December 2024				
Interest receivable	**20,775**	**-**	**-**	**20,775**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**20,775**	**-**	**-**	**20,775**
31 December 2023				
Interest receivable	21,017	-	-	21,017
Loss allowance	-	-	-	-
Carrying amount	21,017	-	-	21,017
31 December 2024				
Other assets	**72,274**	**-**	**-**	**72,274**
Derivatives	**(71,540)**	**-**	**-**	**(71,540)**
	734	**-**	**-**	**734**
Loss allowance	**-**	**-**	**-**	**-**
Carrying amount	**734**	**-**	**-**	**734**
31 December 2023				
Other assets	47,664	-	-	47,664
Derivatives	(46,524)	-	-	(46,524)
	1,140	-	-	1,140
Loss allowance	-	-	-	-
Carrying amount	1,140	-	-	1,140

5 Financial risk management (continued)

5.2 Credit risk (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

Credit risk exposures relating to on-balance sheet assets are as follows:	**ECL staging** **Stage 1 12-month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
31 December 2024				
Off-balance sheet items				
Guarantees and acceptances	**511,792**	-	-	**511,792**
Undrawn credit commitments – Irrevocable	**-**	-	-	**-**
	511,792	-	-	**511,792**
Loss allowance	**(150)**	-	-	**(150)**
	511,642	**-**	**-**	**511,642**
31 December 2023				
Off-balance sheet items				
Guarantees and acceptances	430,699	-	-	430,699
Undrawn credit commitments – Irrevocable	-	-	-	-
	430,699	-	-	430,699
Loss allowance	(179)	-	-	(179)
	430,519	-	-	430,519

5 Financial risk management (continued)

5.2 Credit risk (continued)

Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

The table below shows the maximum exposure to credit risk for financial assets that are not subject to impairment.

	2024	2023
	AED'000	AED'000
Derivatives	**71,540**	46,524

Collateral and other credit enhancements

Collateral against loans and advances measured at amortised cost is generally held in the form of mortgage interests over registered securities over assets and guarantees and standby LCs backed by the Head Office and other group entities. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing. Collateral generally is not held over amounts due from banks, except when securities are held as part of reverse repurchase and securities borrowing activity. As of reporting period, the Bank does not have any reverse repurchase and securities borrowing activity. As of 31 December 2024, the Bank has collateralized exposures amounting to AED 528 million (2023: 225 million).

Risk limit control and mitigation policies

The Bank maintains and manages limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries and countries.

The credit risk is primarily managed by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a daily basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate.

As part of the Bank's credit risk management policies and practices, it obtains security where deemed necessary for loans and advances. The security types are pledges of cash deposit and bank guarantees.

5 Financial risk management (continued)

5.2 Credit risk (continued)

Sensitivity analysis

The Bank has calculated ECL at an individual financial instrument level, hence does not require any grouping of financial instruments in the process of loss calculation.

A sensitivity analysis is performed at the Head office level in order to determine the impact of a change in key assumptions on ECL. No impact due to sensitivity analysis has been determined for the Branch as of the reporting period.

Concentration of risks of financial assets with credit risk exposure

Concentration risk arises 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 Bank's performance to developments affecting a particular industry or geographical location.

Geographical risk concentration

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December 2024. For on-balance sheet assets, the exposures set out below are based on gross carrying amounts as reported in the statement of financial position. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties:

Gross amounts	**UAE AED'000**	**Asia AED'000**	**Others AED'000**	**Total AED'000**
On balance sheet items				
31 December 2024				
Cash and balances with the UAE Central Bank	**28,562**	**-**	**-**	**28,562**
Due from other banks	**474,350**	**550,241**	**119,403**	**1,143,994**
Due from group entities	**-**	**671,966**	**-**	**671,966**
Loans and advances	**123,670**	**108,768**	**-**	**232,438**
Financial assets measured at FVOCI	**495,139**	**718,806**		**1,213,946**
Financial assets measured at amortised cost	**218,158**	**665,338**	**-**	**883,496**
Interest receivable	**5,086**	**15,671**	**18**	**20,775**
Other assets	**734**	**-**	**-**	**734**
Total	**1,345,699**	**2,730,790**	**119,421**	**4,195,910**

5 Financial risk management (continued)

5.2 Credit risk (continued)

Geographical risk concentration (continued)

Gross amounts	**UAE AED'000**	**Asia AED'000**	**Others AED'000**	**Total AED'000**
Off balance sheet items				
31 December 2024				
Guarantees and acceptances	**-**	**511,792**		**511,792**
Undrawn credit commitments - Irrevocable	**-**	**-**		**-**
Total	**-**	**511,792**		**511,792**

On balance sheet items	UAE	Asia	Others	Total
31 December 2023	AED'000	AED'000	AED'000	AED'000
Cash and balances with the UAE Central Bank	30,377	-	-	30,377
Due from other banks	241,218	440,700	326,746	1,008,665
Due from group entities	-	184,255	-	184,255
Loans and advances	134,182	149,230	-	283,413
Financial assets measured at FVOCI	485,391	870,369	36,364	1,392,124
Financial assets measured at amortised cost	217,309	839,518	-	1,056,827
Interest receivable	5,638	14,798	581	21,017
Other assets	1,072	68	-	1,140
Total	1,115,189	2,499,771	363,692	3,978,651

	UAE AED'000	Asia AED'000	Others AED'000	Total AED'000
Off balance sheet items				
31 December 2023				
Guarantees and acceptances	-	430,699		430,699
Undrawn credit commitments - Irrevocable	-	-		-
Total	-	430,699		430,699

5 Financial risk management (continued)

5.2 Credit risk (continued)

Concentration of credit risk by industry

The following table breaks down the Bank's credit exposures on loans and advances, due from banks, financial assets measured at FVOCI, financial assets measured at amortized cost and off balance sheet items categorised by industry as of 31 December 2024.

For on-balance sheet assets, the exposures set out below are based on gross carrying amounts as reported in the financial statements. For off-balance sheet assets, the exposures set out below are based on gross carrying amounts before Credit Conversion Factor (CCF).

31 December 2024	**Loans and Advances AED'000**	**Due from other banks and group entities AED'000**	**Financial assets measured at FVOCI and amortized cost AED'000**	**Off balance sheet items AED'000**	**Total AED'000**
Manufacturing	**110,618**	**-**	**-**	**-**	**110,618**
Construction	**-**	**-**	**-**	**-**	**0**
Trade	**59,218**	**-**	**-**	**-**	**59,218**
Transport, Storage & Communication	**19,472**	**-**	**-**	**-**	**19,472**
Other services	**43,130**	**-**	**-**	**-**	**43,130**
Sovereign	**-**	**-**	**495,139**	**-**	**495,139**
Banks	**-**	**1,815,959**	**1,602,303**	**511,792**	**3,930,054**
Total	**232,438**	**1,815,959**	**2,097,442**	**511,792**	**4,657,631**

5 Financial risk management (continued)

5.2 Credit risk (continued)

Concentration of credit risk by industry (continued)

31 December 2023	Loans and Advances AED'000	Due from other banks and group entities AED'000	Financial assets measured at FVOCI and amortized cost AED'000	Off balance sheet items AED'000	Total AED'000
Manufacturing	162,002	-		-	162,002
Construction	50,079	-		-	50,079
Trade	10,326	-		-	10,326
Other services	61,006				61,006
Sovereign	-	-	521,755		521,755
Banks	-	1,192,919	1,928,029	430,699	3,551,647
Total	283,413	1,192,919	2,449,784	430,699	4,356,815

5 Financial risk management (continued)

5.2 Credit risk (continued)

Gross credit exposures by residual contractual maturity

For on-balance sheet assets, the exposures set out below are based on gross carrying amounts as reported in the balance sheet.

31 December 2024	**Up to 3 months AED'000**	**3 - 12 months AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**	**Total AED'000**
Cash and balances with the UAE Central Bank	**28,562**	**-**		**-**	**28,562**
Due from other banks and group entities	**897,105**	**349,616**	**569,238**	**-**	**1,815,959**
Financial assets measured at FVOCI and amortized cost	**887,744**	**883,700**	**325,998**	**-**	**2,097,442**
Loans and advances	**84,277**	**24,491**	**123,670**	**-**	**232,438**
Interest receivable	**8,635**	**12,140**	**-**	**-**	**20,775**
Other assets	**481**	**253**	**-**	**-**	**734**
Total funded	**1,906,804**	**1,270,200**	**1,018,906**	**-**	**4,195,910**

31 December 2023	Up to 3 months AED'000	3 - 12 months AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
Cash and balances with the UAE Central Bank	30,377	-	-	-	30,377
Due from other banks and group entities	587,869	311,251	293,799	-	1,192,919
Financial assets measured at FVOCI and amortized cost	697,447	1,146,280	605,224	-	2,448,951
Loans and advances	112,653	76,976	93,784	-	283,413
Interest receivable	14,533	6,480	4	-	21,017
Other assets	-	1,140	-	-	1,140
Total funded	1,442,879	1,542,127	992,811	-	3,978,650

5 Financial risk management (continued)

5.3 Market risk

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

The Risk Management Committee and The Assets Liability Committee (ALCO) is responsible for formalising the Bank's key financial indicators and ratios, set the thresholds to manage and monitor market risk and also analyse the sensitivity of the Bank's interest rate and maturity mis-matches. ALCO also guides the Bank's investment decisions and provides guidance in terms of interest rate and currency movements.

5.3.1 Price risk

Price risk is the risk that the value of the Bank's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rates or foreign currency movements. The price risk arises primarily from uncertainty about the future price of financial instruments that the Bank holds. The Bank holds significant financial instruments whose value is affected by changes in market prices.

Analysis of price monitoring for treasury transactions are carried out simultaneously when transactions are undertaken. The monitoring scope includes interbank placement and bond investment. The Bank conducts Stress testing every quarter as per the formulated stress testing plan and submits the stress testing report to the Risk Management Committee for review and approval according to relevant responsibilities.

5.3.2 Currency risk

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

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Head Office sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk. Included in the table are the Bank's financial instruments at gross carrying amounts, categorised by currency.

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.2 Currency risk (continued)

The Bank has limited net on-balance sheet exposure to foreign exchange risk as it has no significant net open positions in foreign currencies other than the USD to which the AED is pegged.

	AED	USD	EUR	CNY	Total
As at 31 December 2024	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Assets					
Cash and balances with the UAE Central Bank	**20,946**	**7,616**	**-**	**-**	**28,562**
Due from other banks	**33,741**	**882,034**	**2,375**	**225,844**	**1,143,994**
Due from group entities	**-**	**20,199**	**61,030**	**590,737**	**671,966**
Financial assets measured at FVOCI and amortised cost	**387,300**	**325,998**	**-**	**1,384,144**	**2,097,442**
Loans and advances	**-**	**85,526**	**38,144**	**108,768**	**232,438**
Interest receivable	**103**	**6,925**	**92**	**13,655**	**20,775**
Other assets	**71,923**	**351**	**-**	**-**	**72,274**
Total financial assets	**514,012**	**1,328,649**	**101,640**	**2,323,149**	**4,267,451**
Liabilities					
Due to other banks	**-**	**62,432**	**53,402**	**87,440**	**203,274**
Due to customers	**12,324**	**29,858**	**1,381**	**2,795**	**46,358**
Due to group entities	**-**	**1,220,037**	**38,144**	**2,237,267**	**3,495,448**
Interest payable	**-**	**5,305**	**296**	**4,566**	**10,167**
Other liabilities	**62,611**	**3,453**	**22**	**-**	**66,086**
Total financial liabilities	**74,935**	**1,321,086**	**93,245**	**2,332,068**	**3,821,334**
Net on-balance sheet financial position	**439,077**	**7,563**	**8,395**	**-8,919**	**446,116**

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.2 Currency risk (continued)

	AED	USD	EUR	CNY	Total
As at 31 December 2023	AED'000	AED'000	AED'000	AED'000	AED'000
Assets					
Cash and balances with the UAE Central Bank	30,106	271	-	-	30,377
Due from other banks	2,647	1,003,140	2,863	14	1,008,664
Due from group entities	-	0	-	184,255	184,255
Financial assets measured at FVOCI and amortised cost	378,656	360,408	-	1,709,887	2,448,951
Loans and advances	-	73,177	61,005	149,230	283,413
Interest receivable	-	11,013	103	9,901	21,017
Other assets	46,975	621	-	68	47,664
Total financial assets	458,384	1,448,630	63,971	2,053,355	4,024,340
Liabilities					
	-	385,613	-	35,875	421,487
Due to customers	19,976	26,868	406	15,049	62,300
Due to group entities	-	1,262,868	-	1,787,883	3,050,751
Interest payable	-	6,913	-	4,146	11,059
Other liabilities	48,585	5,936	194	0	54,715
Total financial liabilities	68,561	1,688,198	600	1,842,953	3,600,312
Net on-balance sheet financial position	389,825	-239,568	63,371	211,236	424,863

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.3 Interest rate risk

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

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

At 31 December 2024	Less than 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non-interest bearing AED'000	Total AED'000
Assets						
Cash and balances with the UAE Central Bank	-	-	-	-	28,562	28,562
Due from other banks and group entities	1,358,753	386,341	-	-	70,865	1,815,959
Financial assets measured at FVOCI and amortised cost	887,744	883,700	325,998	-	-	2,097,442
Loans and advances	207,947	24,491	-	-	-	232,438
Interest receivable	-	-	-	-	20,775	20,775
Other assets	-	-	-	-	72,274	72,274
Total financial assets	2,454,444	1,294,532	325,998	0	192,476	4,267,450

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.3 Interest rate risk (continued)

At 31 December 2024	**Less than 3 months AED'000**	**3 months to 1 year AED'000**	**1 to 5 years AED'000**	**Over 5 years AED'000**	**Non-interest bearing AED'000**	**Total AED'000**
Liabilities						
Due to customers	**46,358**	**-**	**-**	**-**	**-**	**46,358**
Due to other banks and group entities	**2,940,367**	**650,768**	**-**	**-**	**107,587**	**3,698,722**
Interest payable	**-**	**-**	**-**	**-**	**10,167**	**10,167**
Other liabilities	**-**	**-**	**-**	**-**	**66,087**	**66,087**
Total financial liabilities	**2,986,725**	**650,768**	**-**	**-**	**183,841**	**3,821,334**
Interest maturity gap	**-532,281**	**643,764**	**325,998**	**-**	**8,635**	**446,116**

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.3 Interest rate risk (continued)

At 31 December 2023	Less than 3 months AED’000	3 months to 1 year AED’000	1 to 5 years AED’000	Over 5 years AED’000	Non-interest bearing AED’000	Total AED’000
Assets						
Cash and balances with the UAE Central Bank	-	-	-	-	30,377	30,377
Due from other banks and group entities	570,781	329,611		-	292,528	1,192,920
Financial assets measured at FVOCI and amortised cost	697,447	1,146,280	605,224	-	-	2,448,951
Loans and advances	206,437	76,976	-	-	-	283,413
Interest receivable	-	-	-	-	21,017	21,017
Other assets	-	-	-	-	47,664	47,664
Total financial assets	1,474,665	1,552,867	605,224	0	391,586	4,024,342
Liabilities						
Due to customers	62,300	-	-	-	-	62,300
Due to other banks and group entities	2,812,045	620,180	-	-	40,013	3,472,238
Interest payable	-	-	-	-	11,059	11,059
Other liabilities	-	-	-	-	54,715	54,715
Total financial liabilities	2,874,345	620,180	-	-	105,787	3,600,312
Interest maturity gap	(1,399,680)	932,687	605,224	-	285,799	424,863

5 Financial risk management (continued)

5.3 Market risk (continued)

5.3.3 Interest rate risk (continued)

The table below summarizes the average interest rate on the outstanding interest bearing balances by major currencies for monetary financial instruments:

	2024				2023			
	AED	**CNY**	**USD**	**EUR**	AED	CNY	USD	EUR
	%	**%**	**%**	**%**	%	%	%	%
Assets								
Due from other banks and group entities	**4.45**	**2.17**	**4.60**	**2.75**	-	-	5.98	-
Financial assets measured at FVOCI	**5.31**	**2.53**	**3.90**	**-**	5.60	2.63	3.73	-
Financial assets measured at AC	**-**	**2.75**	**5.25**	**-**	-	2.49	5.14	-
Loans and advances	**-**	**2.15**	**5.33**	**3.66**	-	2.56	6.49	4.33
Liabilities								
Due to other banks and group entities	**-**	**1.82**	**4.88**	**3.29**	-	2.72	5.28	-

Interest rate risk is also assessed by measuring the impact of a reasonable possible change in interest rate movements. The Bank assumes a fluctuation in interest rates of 200 basis points (bps) as being reasonable and estimates the following impact on interest income and interest expense for the period:

	2024	2023
	AED'000	AED'000
+ 200 basis point parallel move in all yield curves	**(976)**	(4,135)
- 200 basis point parallel move in all yield curves	**976**	4,135

The above sensitivity analysis does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

5 Financial risk management (continued)

5.4 Liquidity risk

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

The Bank manages its liquidity in accordance with the Central Bank of the UAE's requirements and the Bank's internal guidelines. The Central Bank of the UAE has reserve requirements on deposits ranging between 1% and 14% on demand and time deposits. The Central Bank of the UAE also imposes mandatory 1:1 advance to deposit ratio whereby loans and advances (combined with inter-bank placements having a remaining term of greater than three months) should not exceed stable funds as defined by the Central Bank of the UAE. The Bank monitors liquidity ratios on a regular basis and for covering the risk of any mismatch in liquidity, Head Office funding is available to the Branch.

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 3 months AED'000	3 - 12 months AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities					
At 31 December 2024					
Due to customers	**46,358**	**-**	**-**	**-**	**46,358**
Due to other bank and group entities	**3,047,922**	**32**	**-**	**650,768**	**3,698,722**
Interest payable	**10,167**	**-**	**-**	**-**	**10,167**
Other liabilities	**-**	**66,087**	**-**	**-**	**66,087**
Lease liabilities	**-**	**619**	**3,298**	**-**	**3,917**
Total financial liabilities	**3,104,447**	**66,738**	**3,298**	**650,799**	**3,825,252**

5 Financial risk management (continued)

5.4 Liquidity risk (continued)

Off-balance sheet items	**No later than 1 year AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**	**Total AED'000**
At 31 December 2024				
Guarantees and acceptances	**92,540**	**419,252**	**-**	**511,792**
Undrawn credit commitments - Irrevocable	**-**	**-**	**-**	**-**
Total	**92,540**	**419,252**	**-**	**511,792**

	Up to 3 months AED'000	3 - 12 months AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
Liabilities					
At 31 December 2023					
Due to customers	62,300	-	-	-	62,300
Due to group entities	2,852,059	-	-	620,180	3,472,239
Interest payable	11,059	-	-	-	11,059
Other liabilities	-	59,960	-	-	59,960
Lease liabilities	-	576	-	-	576
Total financial liabilities	2,925,418	60,536	-	620,180	3,606,134

Off-balance sheet items	No later than 1 year AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
At 31 December 2023				
Guarantees and acceptances	66,530	364,169	-	430,699
Undrawn credit commitments – Irrevocable	-	-	-	-
Total	66,530	364,169	-	430,699

5 Financial risk management (continued)

5.5 Fair value of financial assets and liabilities

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Bank's assets and liabilities that are measured at fair value:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**
31 December 2024			
Financial assets measured at FVOCI	**765,278**	**447,880**	**-**
Derivative assets	**-**	**71,540**	**-**
Derivative liabilities	**-**	**55,726**	**-**
31 December 2023			
Financial assets measured at FVOCI	707,726	683,637	-
Derivative assets	-	46,523	-
Derivative liabilities	-	41,907	-

During the year, there were no transfers between Level 1 and Level 2 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments.

Management considers that the carrying amounts of financial assets and financial liabilities having short term maturity measured at amortized cost in the financial statements approximate their fair values. Cash and cash equivalents, Due from / to banks, other group entities and customers are considered as Level 2 and Loans and advances are considered as Level 3.

6 Capital management

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Additional Tier 1 ('AT1') and Total Capital.The minimum capital adequacy requirements as set out by the Central Bank are as follows:

6 Capital management (continued)

- Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).
- Minimum tier 1 ratio of 8.5% of RWAs.
- Total capital adequacy ratio of 10.5% of RWAs.

6.1 Capital structure and capital adequacy as per Basel III requirement

The table below summarizes the composition of regulatory capital and the ratios of the Bank as per BASEL III guidelines and has complied with all of the externally imposed capital requirements which it is subject to. As per the Central Bank regulation for Basel III, the capital requirement as at 31 December 2024 is 13% inclusive of capital conservation buffer of 2.5%. The Bank has also applied the standards issued vide its circular dated 12 November 2020 by the CBUAE which includes additional Guidance on the topics of Credit Risk, Market Risk, Operational Risk, Equity Investment in Funds (EIF), CounterParty Credit Risk (CCR) and Credit Value Adjustment (CVA). The Standards support the implementation of the “Regulations re Capital Adequacy” (Circular 52/2017).:

	2024 AED’000	2023 AED’000
Common equity tier 1 (CET1) capital		
Allocated capital	**367,340**	367,340
Fair value reserve*	**425**	(440)
Accumulated earnings/ (losses)	**32,723**	13,257
Legal reserve	**4,741**	2,578
IFRS transitional arrangement**	**95**	718
CET 1 capital before regulatory deductions	**405,324**	383,453
Regulatory deductions		
Intangible assets	**(3)**	(19)
Total CET1 Capital	**405,321**	383,434
Total Tier 1 Capital	**405,321**	383,434
Tier 2 capital		
General impairment reserve***	**26,215**	25,167
Total capital base	**431,536**	408,601
Risk weighted assets		
Credit risk	**2,097,177**	2,013,341
Market risk	**30,750**	10,404
Operational risk	**69,813**	54,914
Total risk weighted assets	**2,197,740**	2,078,659
Capital adequacy ratio	**19.64%**	19.66%
Tier 1 ratio	**18.44%**	18.45%
CET1 ratio	**18.44%**	18.45%

6 Capital management (continued)

6.1 Capital structure and capital adequacy as per Basel III requirement (continued)

* Fair value reserve of AED 0.43 million with a haircut of 55% (2023: fair value loss of AED 0.44 million) on financial assets measured at FVOCI are added to CET 1 in accordance with Basel requirements.

** In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 5 April 2020, has allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the expected volatility due to the COVID 19 crisis. The filter will allow Banks to partially add incremental ECL provisions back to their Tier 1 capital for the purpose of calculating capital adequacy ratios.

*** 1.25% of Credit Risk Weighted Assets (CRWA) under standardized approach in accordance with Basel requirements.

7 Cash and balances with the UAE Central Bank

	2024	2023
	AED'000	AED'000
Statutory reserve	7,700	10,850
Current account with the UAE Central Bank	20,862	19,527
Total	**28,562**	30,377

8 Due from other banks

	2024	2023
	AED'000	AED'000
Demand deposits	70,868	292,527
Loan to banks	642,688	459,063
Time deposits	430,438	257,075
	1,143,994	1,008,665
Less: Allowance for impairment (Note 8 (a))	(1,583)	(1,221)
Total	1,142,411	1,007,444

The interest rates on balances due from other banks shown above range from1.50% to 5.94% (2023: 2.26% to 7.18%) per annum.

8 (a) Movement in allowance for impairment

	2024 **AED'000**	2023 AED'000
Opening balance	**1,221**	2,013
Impairment (reversal) / charge for the year	**364**	(792)
Exchange adjustment	**(2)**	-
Closing balance	**1,583**	1,221

9 Due from group entities

	2024 **AED'000**	2023 AED'000
Current accounts	**137,998**	111,717
Amount owed from bills discounted	**-**	-
Term deposits	**533,968**	62,212
Refinancing	**-**	10,326
Total	**671,966**	184,255

The interest rates on balances due from group entities shown above range from 1.82% to 2.75% (2023: 2.26% to 3.00%) per annum. The ECL on group related exposures is considered as immaterial and has not been recognized.

10 Loans and advances

10 (a) Loans and advances

	2024 **AED'000**	2023 AED'000
Loans and advances measured at amortised cost	**232,438**	283,413
Less: Allowance for impairment (Note 10(c))	**(977)**	(2,387)
Net loans and advances	**231,461**	281,026

10 Loans and advances (continued)

10(b) Analysis of loans and advances

	2024 AED'000	2023 AED'000
Loans to customers:		
Bilateral loans	**108,768**	149,230
Syndication loans	**123,670**	134,182
Total loans and advances	**232,438**	283,412

10(c) Movement in allowance for impairment

	2024 AED'000	2023 AED'000
Opening balance	**2,387**	6,268
Impairment (reversal) / charge for the year	**(1,358)**	(3,881)
Exchange rate adjustment	**(52)**	-
Closing balance	**977**	2,387

11 Financial assets

(i) Financial assets measured at FVOCI

	2024 AED'000	2023 AED'000
Corporate bonds	**716,480**	868,330
Government bonds	**495,906**	523,473
Gross carrying amount before revaluation	**1,212,386**	1,391,803
Add: Fair value gain on corporate bonds	**1,539**	1,279
Add: Fair value (loss)/gain on government bonds	**(767)**	(1,719)
Total fair value change	**772**	(440)
Total	**1,213,158**	1,391,363

The yields on these quoted securities vary from 1.1% to 5.125% (2023: 2.29% to 5.93%) per annum and have maturities ranging between Jan 2025 to Oct 2027.

11 (ii) Financial assets measured at amortized cost

	2024 AED'000	2023 AED'000
Corporate bonds measured at amortized cost	**883,496**	1,057,661
Less: Allowance for impairment (Note 11 (ii)(a))	**(566)**	(833)
Total	**882,930**	1,056,827

The yields on these quoted securities for 2024 vary from1.54%-4.92% per annum.

11 (ii) (a) Movement in provision for impairment

	2024 AED'000	2023 AED'000
Opening balance	**833**	-
Impairment charge / (reversal) for the year	**(267)**	833
Exchange rate adjustment		
Closing balance	**566**	833

12 Interest receivable

	2024 AED'000	2023 AED'000
Loans and advances	**1,244**	1,378
Due from other banks	**3,337**	8,118
Due from group entities	**5,167**	749
Investment in securities and certificate of deposits	**11,027**	10,773
Total	**20,775**	21,018

13 Property and equipment

	Furniture & fixtures AED'000	**Motor vehicles** AED'000	**Computer & accessories** AED'000	**Leasehold improvements** AED'000	**Total** AED'000
Cost					
At 1 January 2024	**524**	**324**	**2,396**	**3,121**	**6,365**
Additions during the year	**-**	**-**	**61**	**-**	**61**
At 31 December 2024	**524**	**324**	**2,457**	**3,121**	**6,426**
Accumulated Depreciation					
At 1 January 2024	**(516)**	**(250)**	**(2,255)**	**(2,999)**	**(6,020)**
Charge for the year	**(8)**	**(40)**	**(70)**	**(122)**	**(240)**
At 31 December 2024	**(524)**	**(290)**	**(2,325)**	**(3,121)**	**(6,260)**
Net book value					
At 31 December 2024	**-**	**34**	**132**	**-**	**166**

	Furniture & fixtures AED'000	**Motor vehicles** AED'000	**Computer & accessories** AED'000	**Leasehold improvements** AED'000	**Total** AED'000
Cost					
At 1 January 2023	524	324	2,376	3,121	6,345
Additions during the year	-	-	20	-	20
At 31 December 2023	524	324	2,396	3,121	6,365
Accumulated Depreciation					
At 1 January 2023	(506)	(209)	(2,155)	(2,853)	(5,723)
Charge for the year	(10)	(41)	(100)	(146)	(297)
At 31 December 2023	(516)	(250)	(2,255)	(2,999)	(6,020)
Net book value					
At 31 December 2023	8	74	141	122	345

14 Intangible assets

	2024 AED'000	2023 AED'000
Cost		
Opening balance	**507**	507
Additions during the year	**-**	-
Closing balance	**507**	507
Accumulated amortization		
Opening balances	**(488)**	(452)
Charge for the year	**(16)**	(36)
Closing balances	**(504)**	(488)
Net book value	**3**	19

15 Other assets

	2024 AED'000	2023 AED'000
Accounts receivable	**734**	1,140
Derivative assets (note 30)	**71,540**	46,524
	72,274	47,664

16 Due to other banks

	2024 AED'000	2023 AED'000
Time deposits	**115,834**	385,613
Current accounts	**87,440**	35,875
	203,274	421,487

The interest rates on balances due to other banks for 2024 ranged from 3.28% to 4.87% per annum.

17 Due to customers

	2024 **AED'000**	2023 AED'000
Current accounts	**46,358**	62,300

18 Due to group entities

	2024 **AED'000**	2023 AED'000
Loan from Head Office	**650,799**	620,180
Term deposits	**2,824,533**	2,426,432
Current account	**20,116**	4,139
Total	**3,495,448**	3,050,751

The interest rates on balances due to group entities shown above range from 1.70% to 5.60% (2023: 2.30% to 5.97%) per annum.

19 Interest payable

	2024 **AED'000**	2023 AED'000
Interest payable to other banks	**407**	2,830
Interest payable to group entities	**9,760**	8,229
Total	**10,167**	11,059

20 Other liabilities

	2024 **AED'000**	2023 AED'000
Derivative liabilities	**55,726**	41,907
Income tax payable	**4,751**	5,245
Staff salary payable	**6,599**	5,861
Other payables	**3,762**	6,947
Total	**70,838**	59,960

21 Allocated capital

In accordance with the UAE Union Law Number (10) of 1980, as amended, allocated capital represents the amount of an interest free deposit provided by the Head Office.
The Branch has not purchased any shares during the year ended 31 December 2024.

22 Legal reserve

In accordance with the Articles of Association of the Bank and Decretal Federal Law No. (14) of 2018, 10% of the net profit for the year is transferred to the legal reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. Accordingly, an amount of AED 2.16 million has been transferred to legal reserve during the year (2023 - AED 2.58million). The legal reserve is not available for distribution.

23 General impairment reserve

In accordance with the UAE Central Bank regulations (Circular 3/2024), a general impairment reserve has been established to reflect the excess general provision required, based on the 1.5% credit risk weighted assets of the Bank, when compared with the total impairment provision required under IFRS 9.

The amount held in the general impairment reserve must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

The CBUAE has issued its IFRS 9 guidance addressing various implementation challenges and practical implications for Banks adopting IFRS 9 in the UAE ("guidance").

Pursuant to Article No.9 of the regulations, the reconciliation between general and specific provision under Circular 3/2024 of CBUAE and IFRS 9 is as follows:

	2024	2023
	AED'000	AED'000
Non-distributable impairment reserve - General		
Minimum provision for Stage 1 &2 as per CBUAE requirements	**35197**	36,516
Less: Stage 1 and 2 impairment provision taken against income	**(4,062)**	(5,381)
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	**31,135**	31,135
Balance of impairment reserve - general as at January 1	**31,135**	20,726
Add: Non-distributable reserve during the year (Impairment reserve-general)	**0**	10,409
Balance of impairment reserve - general as at December 31	**31,135**	31,135

The calculation process, the methodology and the results have been reviewed and approved by the committee responsible for the oversight of provisions. This has been formally reviewed and presented by the CRO at such committee. Ultimately, the provisions have been presented and approved by the Board or delegated body of the Board ' , as per Article 9 (Standards) of the Credit Risk Management Regulation and accompanying Standards, Circular No. 3/2024 dated 25/7/2024.

24 Contingencies and commitments

	2024 AED'000	2023 AED'000
Guarantees	**511,792**	430,699
Undrawn credit commitments – irrevocable	**-**	-
	511,792	430,699

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet his obligations to third parties, carry the same credit risk as loans and advances. Documentary and commercial letters of credit, which are written undertakings on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

Guarantees and acceptances include AED 512 million (2023: AED 431 million) issued on behalf of other sister branches.

25 Interest income

	2024 AED'000	2023 AED'000
Loans and advances	**14,511**	16,911
Due from other banks	**41,946**	45,462
Due from group entities	**12,653**	4,182
Investment in securities and CDs	**67,775**	58,095
Interest rate swap	**-**	-
Total	**136,885**	124,650

26 Interest expense

	2024	2023
	AED'000	AED'000
Due to group entities	**85,402**	74,993
Due to other banks	**22,203**	6,151
Interest rate swap	**-**	-
Total	**107,605**	81,144

27 Operating expenses

	2024	2023
	AED'000	AED'000
Staff costs (note 27 (a))	**20,583**	18,333
Telecommunications and computers	**1,231**	1,271
Depreciation and amortisation	**1,692**	1,754
Professional services charges	**954**	1032
Other expenses	**1519**	1013
Total	**25,979**	23,403

27 (a) Staff costs

	2024	2023
	AED'000	AED'000
Salaries and allowances	**18,398**	16,564
Other staff costs	**2,185**	1,769
Total	**20,583**	18,333

28 Allowances for impairment

	2024	2023
	AED'000	AED'000
Charge/(reversal) on loans and advances	**1,358**	(3,747)
Charge/(reversal) on due from other banks	**(364)**	(793)
Charge/(reversal) on financial assets	**230**	625
Charge/(Reversal) on others	**28**	126
Total charge/(reversal) **for the year**	**1,254**	(3,789)

29 Tax expense

The income tax rate applicable to the Bank's 2024 income is 20% (2023: 20%). The Bank has calculated income tax payable AED 4.75 million (2023: 5.24 million) for the current period, and the tax expense for the year ended 31 December 2024 is calculated as AED 5.09 million (2023: AED 5.50 million)

On December 9, 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after June 1, 2023. The Cabinet of Ministers Decision No.116/2022 effective from January 2023, has confirmed the threshold of income over which the 9% tax rate would apply, and the Law is considered to be substantively enacted.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. Since its publication, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law, and are required to fully evaluate the impact of the UAE CT Law on the Company. With the publication of this Decision, we would consider the UAE CT Law to be substantively enacted for the purposes of IAS 12 – Income Taxes, and that the impact of the UAE CT Law should be assessed on the financial statements for the Branch.

The Branch had performed an assessment of the potential impact of the UAE CT Law. Based on this assessment, there were no material temporary differences on which deferred taxes should be accounted for as of 31 December 2023 and accordingly the implementation of the UAE CT Law had no impact on the statement of financial position of the Branch as at 31 December 2023 nor on the statement of profit or loss of the Company for the year ended 31 December 2023. Subsequently, the Company has accounted for current and deferred tax in accordance with IAS 12 'Income Taxes'.

30 Derivatives

Analysed by type of contract:

	Notional amounts AED'000	**Fair value**	
		Asset AED'000	**Liability AED'000**
As at 31 December 2024			
Foreign exchange currency contracts	**4,377,103**	**71,540**	**55,726**

	Notional amounts AED'000	Fair value	
		Asset AED'000	Liability AED'000
As at 31 December 2023			
Foreign exchange currency contracts	3,132,584	46,524	41,907

31 Leases

Right-of-use assets

	2024 AED'000	2023 AED'000
As of 1 January	**470**	1,879
Additions during the year	**4,743**	-
Depreciation for the year	**(1,418)**	(1,409)
As of 31 December	**3,795**	470

Lease liabilities

	2024 AED'000	2023 AED'000
As of 1 January	**619**	1989
Interest expense	**17**	11
Additions during the year	**4,743**	-
Payment during the year	**(1,462)**	(1,381)
As of 31 December	**3,917**	619

32 Cash and cash equivalents

	2024	2023
	AED'000	AED'000
Balances with UAE Central Bank	**28,562**	30,377
Due from banks (less than three months)	**434,199**	292,527
Due from group entities (less than three months)	**137,998**	111,717
	600,759	434,621

33 Related parties

A number of transactions are entered into with the group entities (Head office and sister branches) in the ordinary course of business at mutually agreed terms and conditions and are duly approved by the management of the branches . These include loans, deposits, foreign currency transactions and guarantees.

Related party transactions

	2024	2023
	AED'000	AED'000
Interest income		
Head Office	**1,845**	532
Other branches	**10,808**	3,650
	12,653	4,182
Interest expense		
Head Office	**68,763**	72,008
Other branches	**16,639**	2,985
	85,402	74,993
Commission expense		
Head Office	**122**	95
Other branches	**-**	-
	122	95

33 Related parties (continued)

Related party balances

	2024 AED'000	2023 AED'000
Due from group entities		
Head Office	**134,303**	110,907
Other branches	**537,663**	73,347
	671,966	184,255
Interest receivable		
Head Office	**-**	-
Other branches	**5,167**	749
	5,167	749
Due to group entities		
Head Office	**2,867,950**	2,403,924
Other branches	**627,497**	646,826
	3,495,447	3,050,751
Interest payable		
Head Office	**6,537**	6,004
Other branches	**3,223**	2,225
	9,760	8,229

Derivative assets and liabilities

	2024 AED'000	2023 AED'000
Derivative assets		
Head Office	**69,838**	40,850
Other branches	**1,669**	-
	71,506	40,850
Derivative liabilities		
Head Office	**-**	3,459
Other branches	**15,602**	-
	15,602	3,459

Contingencies and commitments

	2024 AED'000	2023 AED'000
Guarantees		
Head Office	**-**	-
Other branches	**511,792**	430,221
	511,792	430,221

33 Related parties (continued)

Key management personnel

	2024	2023
	AED'000	AED'000
Remuneration to key management personnel	1,932	1,530

34 Subsequent events

Subsequent to the balance sheet date, the Branch has evaluated events and transactions occurring up to date of issuance of these financial statements for potential recognition or disclosure. Management has determined that there are no subsequent events requiring adjustment to or disclosure in the financial statements that would have a material impact on the financial position or performance of the Branch.

35 Details on adjustments and reissuance

The financial statements for the year ended 31 December 2024 were originally approved and issued on 31 March 2025. Subsequent to their issuance, management identified that certain updates to disclosures within the financial statements are required to ensure compliance with the revised regulatory requirements under CBUAE Circular No. 3/2024.

Accordingly, the financial statements have been reissued on 03 June 2025 to reflect the following:

- Addition of narrative for CBUAE Circular No. 3/2024 and narrative pertaining to compliance with Article 9 (Standards) of the Credit Risk Management Regulations and accompanying Standards, removal of reference of Circular 28/2010 of CBUAE, and change in presentation of stage 1 and stage 2 provisions, in note 23.
- Inclusion of this Note 35 explaining the rationale for the reissuance.

No other changes have been made to the financial statements as originally issued.